(Convenience translation of the independent auditor’s limited review report and condensed interim consolidated financial statements originally issued in Turkish-see Note 2.4)

Arçelik Anonim Şirketi

January 1 – June 30, 2011 condensed interim consolidated financial statements together with independent auditor’s review report

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2011

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ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2011 AND DECEMBER 31, 2010

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

	Notes	Reviewed June 30, 2011	Audited December 31, 2010
ASSETS			
Current assets:			
Cash and cash equivalents	4	897,027	1,317,166
Derivative financial instruments	7	853	1,185
Trade receivables	8	2,837,944	2,324,578
Inventories	9	1,213,441	987,526
Other current assets	16	92,242	117,984
Total current assets		**5,041,507**	**4,748,439**
Non-current assets:			
Trade receivables	8	23,316	12,461
Financial investments	5	602,896	658,679
Associates	10	148,530	136,604
Investment properties	11	6,252	5,480
Property, plant and equipment	12	1,274,749	1,252,245
Intangible assets	13	499,990	461,417
Goodwill		7,748	7,190
Deferred tax assets	21	45,160	39,244
Total non-current assets		**2,608,641**	**2,573,320**
Total assets		**7,650,148**	**7,321,759**

These condensed interim consolidated financial statements as at and for the period ended June 30, 2011, have been approved for issue by the Board of Directors on August 3, 2011 and signed on its behalf by Fatih Kemal Ebiçlioğlu, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director.

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2011 AND DECEMBER 31, 2010

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

	Notes	Reviewed June 30, 2011	Audited December 31, 2010
LIABILITIES			
Current liabilities:			
Financial liabilities	6	1,276,135	839,220
Derivative financial instruments	7	806	239
Trade payables	8	1,089,458	968,962
Other payables		127,858	129,530
Current income tax liabilities	21	28,416	18,970
Provisions	15	247,621	205,160
Other current liabilities	16	226,137	179,908
Total current liabilities		**2,996,431**	**2,341,989**
Non-current liabilities:			
Financial liabilities	6	822,558	1,218,072
Trade payables	8	64,053	63,681
Provisions for employment termination benefits		105,400	99,700
Deferred tax liabilities	21	138,860	128,549
Provisions	15	67,689	58,136
Other non-current liabilities	16	3,337	3,898
Total non-current liabilities		**1,201,897**	**1,572,036**
Total liabilities		**4,198,328**	**3,914,025**
EQUITY			
Paid-in capital	17	675,728	675,728
Adjustment to share capital	17	468,811	468,811
Share premium		889	889
Revaluation fund	17	450,953	511,969
Restricted reserves	17	190,066	168,445
Currency translation differences		98,709	29,585
Contribution to shareholders' equity related to merger	17	14,507	14,507
Retained earnings		1,200,782	954,525
Net income for the period		262,778	517,093
Attributable to			
Equity holders of the parent		3,363,223	3,341,552
Non-controlling interest		88,597	66,182
Total equity		**3,451,820**	**3,407,734**
Total liabilities and equity		**7,650,148**	**7,321,759**
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The accompanying notes form an integral part of these condensed interim consolidated financial statements.

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME FOR THE PERIODS ENDED JUNE 30

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

		Reviewed			
	Notes	January 1 - June 30, 2011	January 1 - June 30, 2010	April 1 - June 30, 2011	April 1 - June 30, 2010
Net sales	3	3,728,447	3,253,781	2,029,061	1,766,858
Cost of sales		(2,573,870)	(2,250,795)	(1,407,139)	(1,247,350)
Gross profit		**1,154,577**	**1,002,986**	**621,922**	**519,508**
Marketing, selling and distribution expenses		(653,173)	(557,864)	(360,220)	(290,525)
General administrative expenses		(144,721)	(126,745)	(72,822)	(67,695)
Research and development expenses		(35,693)	(27,159)	(18,068)	(17,784)
Other operating income	18	26,399	70,405	19,318	58,272
Other operating expenses	18	(27,275)	(20,819)	(17,262)	(12,428)
Operating profit		**320,114**	**340,804**	**172,868**	**189,348**
Income from associates (net)	10	17,479	5,117	10,735	4,762
Financial income	19	262,064	164,908	102,131	90,567
Financial expenses	20	(262,686)	(167,600)	(110,185)	(86,161)
Income before tax		**336,971**	**343,229**	**175,549**	**198,516**
Income tax					
- Taxes on income	21	(57,129)	(57,186)	(31,039)	(28,219)
- Deferred tax income/expense	21	(1,850)	(1,037)	646	(2,037)
Net income		**277,992**	**285,006**	**145,156**	**168,260**
Attributable to:					
Non-controlling interest		15,214	14,533	7,984	7,432
Equity holders of the parent		**262,778**	**270,473**	**137,172**	**160,828**
Earnings per share (Kr)	22	**0.389**	**0.400**	**0.203**	**0.238**

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

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED JUNE 30

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

	Reviewed			
	January 1 - June 30, 2011	**January 1 - June 30, 2010**	**April 1 - June 30, 2011**	**April 1 - June 30, 2010**
Net income for the period	**277,992**	**285,006**	**145,156**	**168,260**
Other comprehensive income /(expense):				
Decrease in value of intangible assets	(785)	(687)	(401)	(320)
Tax effect	200	175	102	81
	(585)	**(512)**	**(299)**	**(239)**
Fair value gains/losses on financial assets	(55,760)	131,432	(55,760)	131,432
Tax effect	2,788	(6,572)	2,788	(6,572)
	(52,972)	**124,860**	**(52,972)**	**124,860**
Fair value losses on commodity hedge (net)	-	(640)	-	(640)
Tax effect	-	128	-	128
	-	**(512)**	**-**	**(512)**
Foreign currency hedge of net investments in foreign operations	(45,015)	(1,024)	(25,479)	(1,024)
Tax effect	9,003	205	5,096	205
	(36,012)	**(819)**	**(20,383)**	**(819)**
Currency translation differences	**105,149**	**(50,279)**	**50,667**	**(41,699)**
Reclassifications:				
Decrease in value of intangible assets	785	687	401	320
Cash flow hedge fund (net)	(271)	512	(271)	512
Other comprehensive income/(loss) (net of tax)	**16,094**	**73,937**	**(22,857)**	**82,423**
Total comprehensive income	**294,086**	**358,943**	**122,299**	**250,683**
Attributable to:				
Non-controlling interest	22,415	13,046	11,811	7,727
Equity holders of the parent	**271,671**	**345,897**	**110,488**	**242,956**

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

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTH - PERIODS ENDED JUNE 30

(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**
Transfers	-	-	-	-	-	-	-	485,410	(485,410)	-	-	-
Purchase of additional shares in subsidiaries	-	-	-	-	-	-	-	57	-	57	(57)	-
Dividends paid	-	-	-	-	6,621	-	-	(106,621)	-	(100,000)	-	(100,000)
Total comprehensive income/(loss)	-	-	-	104,048	-	(29,311)	-	687	270,473	345,897	13,046	358,943
As of June 30, 2010	**675,728**	**468,811**	**889**	**387,606**	**168,445**	**5,826**	**14,507**	**953,790**	**270,473**	**2,946,075**	**56,371**	**3,002,446**
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**
Transfers	-	-	-	-	-	-	-	517,093	(517,093)	-	-	-
Dividends paid	-	-	-	-	21,621	-	-	(271,621)	-	(250,000)	-	(250,000)
Total comprehensive income/(loss)	-	-	-	(61,016)	-	69,124	-	785	262,778	271,671	22,415	294,086
As of June 30, 2011	**675,728**	**468,811**	**889**	**450,953**	**190,066**	**98,709**	**14,507**	**1,200,782**	**262,778**	**3,363,223**	**88,597**	**3,451,820**

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

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE SIX-MONTH PERIODS ENDED JUNE 30

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

		Reviewed	
	Notes	**June 30, 2011**	**June 30, 2010**
Operating activities:			
Income before tax		**336,971**	**343,229**
Adjustments to reconcile net cash provided from operating activities to income before taxes:			
Changes in provisions	25	165,753	76,260
Depreciation and amortisation		103,155	95,550
Interest income	19	(21,555)	(19,826)
Interest expense	20	48,221	56,883
Income from associates (net)	10	(17,479)	(5,117)
Gain/losses on sales of tangible and intangible assets (net)	18	636	(36,647)
Losses from sales of financial assets		29	-
Income from operating activities before changes in operating assets and liabilities		**615,731**	**510,332**
Net change in operating assets and liabilities	25	(693,626)	(220,464)
Income tax paid		(20,727)	(16,819)
Cash flows from operating activities		**(98,622)**	**273,049**
Investing activities:			
Cash provided from sales of tangible and intangible assets		4,245	24,613
Acquisition of tangible and intangible assets		(104,144)	(79,345)
Cash provided from sales of financial assets		4	-
Dividends received	10	5,553	4,472
Currency translation differences (net)		8,090	(22,679)
Cash flows from investing activities		**(86,252)**	**(72,939)**
Financing activities:			
Proceeds from bank borrowings		513,840	1,327,315
Repayment of bank borrowings		(474,077)	(1,285,975)
Interest paid		(46,583)	(58,393)
Dividends paid		(250,000)	(100,000)
Interest received		24,854	21,589
Cash flows from financing activities		**(231,966)**	**(95,464)**
Net increase/decrease in cash and cash equivalents		**(416,840)**	**104,646**
Cash and cash equivalents at January 1	4	**1,313,075**	**900,133**
Cash and cash equivalents at June 30	4	**896,235**	**1,004,779**

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

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Arçelik Anonim Şirketi (a Turkish corporation - "Arçelik" or "the Company") and its subsidiaries (collectively, "the Group") undertake all commercial and industrial activities in respect of the production, sales and marketing, customer services after sales, exportation and importation of consumer durable goods and consumer electronics. The Group operates eleven manufacturing plants in Turkey, Romania, Russia and China. The Company is controlled by Koç Holding A.Ş., the parent company, Koç Family and the companies owned by Koç Family (Note 17).

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

The Company is registered to the Capital Markets Board ("CMB") and its shares have been quoted on the Istanbul Stock Exchange ("ISE") since 1986. At June 30, 2011, the publicly quoted shares are 25.19% of the total shares.

The average number of employees of the Group as of June 30, 2011 is 18,280 (December 31, 2010: 17,931).

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

(*) Inactive as of balance sheet date.

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

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

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

The consolidated financial statements of the Group have been prepared in accordance with the accounting and reporting principles published by the CMB, namely "CMB Financial Reporting Standards". CMB regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with Communiqué No. XI-29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué"). According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union ("EU"). Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by 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 March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards. Accordingly, IAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the IASB, has not been applied in the financial statements for the accounting year commencing from January 1, 2005.

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

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB have not been announced by TASB as of the date of preparation of these consolidated financial statements, the condensed interim consolidated financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. The condensed interim consolidated financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, with the announcement dated April 14, 2008 and January 9, 2009 including the compulsory disclosures.

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

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

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

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

IFRS 9 Financial Instruments – Phase 1 financial instruments, classification and measurement

The new standard is effective for annual periods beginning on or after 1 January 2013. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial assets. The amendments made to IFRS 9 in October 2010 affect the 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 assessing the impact of the new standard.

IAS 12 Income Taxes- Deferred Taxes: Recovery of underlying assets (Amendment)

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 (Amendment)

The amendment is effective for annual periods beginning on or after 1 July 2011. The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitizations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. This amendment 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.

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

IFRS 10 Consolidated Financial Statements

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

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

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

The standard is with regard to the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted to account 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

Standard is effective for annual periods beginning on or after 1 January 2013 and are applied on a modified retrospective basis. This new Standard may be early adopted, requiring that IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements are also early adopted.

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.

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

IFRS 13 Fair Value Measurement

Standard provides guidance on how to measure fair value however the requirements regarding which items should be measured or disclosed at fair value does not change. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted — that is, comparative disclosures for prior periods are not required. This standard has not yet been endorsed by the EU. The Group is assessing the impact of the new standard.

IAS 27 Separate Financial Statements (Amended)

As a consequential amendment to IFRS 10, 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, 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 19 Employee Benefits (Amended)

Amended standard is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. With very few exceptions retrospective application is required. Many changes or clarifications have been made under the amended standard. Among these amendments, the most important ones are removal of the corridor mechanism and the distinction between short-term and other long-term employee benefits to be 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 1 July 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.

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

Consolidation principles

The condensed interim consolidated financial statements, which have been prepared in accordance with the principles disclosed in the annual consolidated financial statements for the year ended December 31, 2010, include the accounts of the parent company, Arçelik, and its Subsidiaries.

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

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

As of June 30, 2011 and December 31, 2010, ownership interests and effective interests of the Subsidiaries, which are included in the scope of consolidation, are shown as above (%):

	June 30, 2011		December 31, 2010	
	Ownership interest	**Economic interest**	**Ownership interest**	**Economic interest**
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
Bekodutch B.V. ("Bekodutch") (*)	-	-	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") (**)	-	-	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 (****)	50.00	50.00	50.00	50.00
Blomberg Vertrieb	100.00	100.00	100.00	100.00
Blomberg Werke	100.00	100.00	100.00	100.00
Elektra Bregenz	100.00	100.00	100.00	100.00
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 Denmark	100.00	100.00	100.00	100.00
Grundig Nordic Fin OY ("Grundig Finland ") (***)	-	-	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") (***)	-	-	100.00	100.00
Raupach	100.00	100.00	100.00	100.00

(*) Merged with Ardutch in 2011.
(**) Merged with Beko Russia in 2011.
(***) The Companies were dissolved in 2011.
(****) Activities like appointment of the subsidiary's management or votes of the board of directors are controlled by Arçelik; accordingly the subsidiary has been fully consolidated when the shareholding percentage is 50%.

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

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

In order to ensure consistency with the presentation of the current period interim condensed consolidated statement of income, after sales services expenses, which had been accounted under general administrative expenses in prior periods, have been accounted under marketing, selling and distribution expenses in the current period with the intention to present the substance of the related expense more precisely. As a result of this change, general administrative expenses for the period ended June 30, 2010 has decreased by TRY 43,573, whereas marketing, selling and distribution expenses has increased by the same amount.

2.2 Changes and errors in the accounting policies and estimates

Material changes in accounting policies or material errors are corrected, retrospectively; by restating the prior periods consolidated financial statements. The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods. The estimates used in the preparation of these condensed interim consolidated financial statements are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2010, 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.

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

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

The condensed interim consolidated financial statements of the Group for the period ended June 30, 2011 have been prepared in accordance with IAS 34 "Interim Financial Reporting". The accounting policies used in the preparation of these condensed interim consolidated financial statements are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2010. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2010.

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

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

NOTE 3 - SEGMENT REPORTING

The reportable segments of Arçelik have been organised by management into white goods and consumer electronics. White goods reportable segment comprises washing machines, dryers, dishwashers, refrigerators, ovens, cookers and the services provided for these products. The consumer electronics 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.

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

NOTE 3 - SEGMENT REPORTING (Continued)

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

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

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

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

b) Operational segments which have been prepared in accordance with the reportable segments for the six-month period ended June 30, 2010 are as follows:

	White Goods	Consumer Electronics	Other	Total
Total segment revenue	2,033,709	602,382	617,690	3,253,781
Gross profit	771,320	127,727	103,939	1,002,986
Depreciation and amortisation	70,566	22,613	3,851	97,030
Capital expenditures	60,681	19,443	701	80,825
Income from associates	-	-	5,117	5,117

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

	White Goods	Consumer Electronics	Other	Total
Total segment revenue	1,283,414	291,633	454,014	2,029,061
Gross profit	425,634	69,672	126,616	621,922
Depreciation and amortisation	39,718	9,445	2,567	51,730
Capital expenditures	53,847	7,618	1,903	63,368
Income from associates	-	-	10,735	10,735

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

NOTE 3 - SEGMENT REPORTING (Continued)

d) Operational segments which have been prepared in accordance with the reportable segments for the period between April 1 – June 30, 2010 are as follows:

	White Goods	Consumer Electronics	Other	Total
Total segment revenue	1,047,613	340,394	378,851	1,766,858
Gross profit	392,222	63,813	63,473	519,508
Depreciation and amortisation	36,004	13,104	2,029	51,137
Capital expenditures	33,203	11,378	584	45,165
Income from associates	-	-	4,762	4,762

e) Sales revenue that is grouped geographically for the six-months periods ended at June 30 are shown below:

January 1 - June 30, 2011	Turkey	Europe	Other	Total
Total segment revenue	1,885,303	1,348,798	494,346	3,728,447
Income from associates	17,479	-	-	17,479

January 1 - June 30, 2010	Turkey	Europe	Other	Total
Total segment revenue	1,612,490	1,215,688	425,603	3,253,781
Income from associates	5,117	-	-	5,117

f) Sales revenue that is grouped geographically for the period between April 1 – June 30, 2011 and 2010 are shown below:

April 1 -June 30, 2011	Turkey	Europe	Other	Total
Total segment revenue	1,044,720	706,564	277,777	2,029,061
Income from associates	10,735	-	-	10,735

April 1 -June 30, 2010	Turkey	Europe	Other	Total
Total segment revenue	882,333	658,633	225,892	1,766,858
Income from associates	4,762	-	-	4,762

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	June 30, 2011	December 31, 2010
Cash in hand	273	328
Cash at banks		
- demand deposits	48,127	52,587
- time deposits	815,720	1,229,706
Cheques and notes	28,845	29,914
Other	3,270	540
Cash and cash equivalents in cash flow statement	896,235	1,313,075
Interest income accruals	792	4,091
	897,027	**1,317,166**

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

Up to 30 days	671,203	887,270
30 - 90 days	225,824	429,896
	897,027	**1,317,166**

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

TRY	11.85	9.04
USD	4.86	3.13
EUR	1.78	1.58
RON	3.37	2.64
GBP	0.29	0.31
RUB	-	2.21
CNY	2.00	1.05
PLN	3.60	3.35
SEK	1.92	-
CZK	0.41	-

NOTE 5 - FINANCIAL INVESTMENTS

		June 30, 2011		December 31, 2010
Available-for-sale investments	**%**	**TRY**	**%**	**TRY**
Koç Finansal Hizmetler A.Ş.	3.98	601,408	3.98	657,168
Other		1,488		1,511
		602,896		**658,679**

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

NOTE 6 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	June 30, 2011	December 31, 2010
Short-term bank borrowings	658,039	599,098
Short-term portion of long-term bank borrowings	617,787	239,738
Other	309	384
	1,276,135	**839,220**

As of June 30, 2011, the details of the short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original Currency	TRY Amount
TRY	-	-	12,576
EUR	2.5	237,037,176	556,848
RUB	5.4	1,513,441,687	87,356
RON	4.9	2,275,854	1,259
			658,039

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

Currency	Effective interest rate per annum (%)	Original Currency	TRY Amount
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

	June 30, 2011	December 31, 2010
Long-term bank borrowings	822,510	1,218,002
Other	48	70
	822,558	**1,218,072**

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

As of June 30, 2011, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original Currency	TRY Amount
TRY	9.2	504,040,365	504,040
EUR	3.1	254,371,118	597,569
USD	2.2	127,365,285	207,631
GBP	3.0	50,192,186	131,057
			1,440,297
Less: short-term portion			(617,787)
			822,510

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

Currency	Effective interest rate per annum (%)	Original Currency	TRY Amount
TRY	8.30	503,403,833	503,404
EUR	2.69	308,180,043	631,492
USD	2.25	100,312,500	155,083
RUB	6.26	953,094,699	47,874
GBP	2.93	50,191,264	119,887
			1,457,740
Less: short-term portion			(239,738)
			1,218,002

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

	June 30, 2011	December 31, 2010
2012	-	489,062
2013	822,510	728,940
	822,510	**1,218,002**

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

Up to 6 months	2,054,334	1,929,393
6 - 12 months	44,002	127,445
	2,098,336	**2,056,838**

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

NOTE 7 – DERIVATIVE FINANCIAL INSTRUMENTS

	June 30, 2011			December 31, 2010		
	Contract value	Fair value Asset	Fair value / (Liability)	Contract value	Fair value Asset	Fair value / (Liability)
Held for trading:						
Forward transactions	316,999	767	(460)	217,977	817	(207)
Foreign currency swap contracts	90,359	86	(346)	71,440	29	(32)
Held for hedging:						
Commodity swap contracts	-	-	-	1,414	339	-
	407,358	**853**	**(806)**	**290,831**	**1,185**	**(239)**

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	June 30, 2011	December 31, 2010
Short-term trade receivables:		
Trade receivables	1,761,609	1,381,506
Notes receivables	1,028,642	961,075
Cheques receivables	164,042	128,754
Due from related parties (Note 23)	43,268	22,869
Short-term trade receivables (gross)	**2,997,561**	**2,494,204**
Provision for doubtful receivables	(125,227)	(110,611)
Unearned credit finance income	(34,390)	(59,015)
Short-term trade receivables (net)	**2,837,944**	**2,324,578**

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

	2011	2010
Balance as of January 1	**110,611**	**107,312**
Current period additions (Note 18)	9,498	6,334
Provisions no longer required (Note 18)	(1,090)	(4,085)
Write-offs	(226)	-
Currency translation differences	6,434	(4,414)
Balance as of June 30	**125,227**	**105,147**

Long-term trade receivables:	**June 30, 2011**	**December 31, 2010**
Trade receivables	23,316	12,461
	23,316	**12,461**

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

	June 30, 2011	December 31, 2010
Short-term trade payables:		
Trade payables	861,852	787,755
Due to related parties (Note 23)	233,670	186,003
Unearned credit finance charges	(6,064)	(4,796)
	1,089,458	**968,962**
Long-term trade payables:		
Due to related parties (Note 23)	64,053	63,681
	64,053	**63,681**

NOTE 9 - INVENTORIES

	June 30, 2011	December 31, 2010
Raw materials and supplies	609,394	560,738
Work in progress	57,564	37,861
Finished goods	446,224	346,418
Trade goods	172,543	115,087
Inventories (gross)	**1,285,725**	**1,060,104**
Provision for impairment on inventories	(72,284)	(72,578)
Inventories (net)	**1,213,441**	**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:

Raw materials and supplies	63,736	63,734
Finished goods	4,690	6,442
Trade goods	3,858	2,402
	72,284	**72,578**

Movement of provision for impairment on inventories for the periods ended June 30 is as follows:

	2011	2010
Balance as of January 1	**72,578**	**98,339**
Current year additions (Note 18)	1,148	4,269
Realised due to sales of inventory	(2,361)	(22,679)
Currency translation differences	919	(3,100)
Balance as of June 30	**72,284**	**76,829**

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

NOTE 10 - ASSOCIATES

	June 30, 2011		December 31, 2010	
	%	**TRY**	**%**	**TRY**
Koç Tüketici Finansmanı A.Ş.	47.0	65,238	47.0	62,787
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	45.0	64,952	45.0	58,778
Ram Dış Ticaret A.Ş.	33.5	11,753	33.5	10,358
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	32.0	6,587	32.0	4,681
		148,530		**136,604**

	2011	**2010**
Balance as of January 1	**136,604**	**129,169**
Income from associates (net)	17,479	5,117
Dividend received from associates	(5,553)	(4,472)
Balance as of June 30	**148,530**	**129,814**

Income/losses from associates

	1 January-June 30, 2011	**1 January-June 30, 2010**	**April 1 - June 30, 2011**	**April 1 - June 30, 2010**
Koç Tüketici Finansmanı A.Ş.	7,151	3,676	3,715	2,363
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	6,174	(328)	4,636	1,415
Ram Dış Ticaret A.Ş.	2,249	956	1,185	703
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	1,905	813	1,199	281
	17,479	**5,117**	**10,735**	**4,762**

The summary financial statements of associates

	June 30, 2011	**December 31, 2010**
Total assets	2,056,355	1,773,383
Total liabilities	1,717,545	1,463,626

	June 30, 2011	**June 30, 2010**
Sales revenues	932,735	591,922
Net income for the period	41,603	12,487

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

NOTE 11 - 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	840	(684)
Current period depreciation	(68)	(63)
Net book value at the end of the period	**6,252**	**5,185**
As of June 30		
Cost	13,201	10,522
Accumulated depreciation	(6,949)	(5,337)
Net book value	**6,252**	**5,185**

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	2011	2010
As of January 1		
Cost	3,410,540	3,332,557
Accumulated depreciation	(2,158,295)	(2,088,448)
Net book value	**1,252,245**	**1,244,109**
Net book value at the beginning of the year	**1,252,245**	**1,244,109**
Additions	73,872	47,663
Disposals	(4,861)	(14,754)
Currency translation differences	36,683	(10,069)
Current period depreciation	(83,190)	(78,131)
Net book value at the end of the period	**1,274,749**	**1,188,818**
As of June 30		
Cost	3,522,788	3,303,267
Accumulated depreciation	(2,248,039)	(2,114,449)
Net book value	**1,274,749**	**1,188,818**

There is no mortgage on property, plant and equipment as of June 30, 2011 (June 30, 2010: None).

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

NOTE 13 - INTANGIBLE ASSETS

	2011	2010
As of January 1		
Cost	597,299	539,682
Accumulated amortisation	(135,882)	(99,689)
Net book value	**461,417**	**439,993**
Net book value at the beginning of the year	**461,417**	**439,993**
Additions	31,636	33,162
Disposals	(20)	(14)
Currency translation differences	28,218	(22,047)
Amortisation for the period	(21,261)	(18,836)
Net book value at the end of the period	**499,990**	**432,258**
As of June 30		
Cost	659,400	549,165
Accumulated amortisation	(159,410)	(116,907)
Net book value	**499,990**	**432,258**

Net carrying value of the development costs as of June 30, 2011 is TRY 174,463 (June 30, 2010: TRY 146,018), and capitalized development costs in the period is TRY 29,286 (June 30, 2010: TRY 29,740).

NOTE 14 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Commitments are as follows:

	June 30, 2011	December 31,2010
Operational lease commitments	41,288	41,869

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

Up to 1 year	11,267	10,972
1-5 years	12,648	13,928
Over 5 years	17,373	16,969
	41,288	**41,869**

The Company has export commitment of full USD 368,801,318 in scope of export incentive as of June 30, 2011 (December 31, 2010: full USD 480,534,762).

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

NOTE 14 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Derivative Financial Instruments

TRY equivalents of the Group's foreign exchange purchase and sales commitments in terms of currencies as of June 30, 2011 and December 31, 2010 are as follows:

June 30, 2011

	Foreign exchange purchase commitment	**Foreign exchange sales commitment**
EUR	79,052	41,018
TRY	-	19,005
USD	121,775	2,853
GBP	-	65,278
PLN	1,767	14,725
RUB	-	51,947
SEK	1,065	8,873
	203,659	**203,699**

December 31, 2010

	Foreign exchange Purchase commitment	**Foreign exchange Sales commitment**
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**

	June 30, 2011	**December 31, 2010**
Collaterals obtained	1,890,045	1,887,230

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

NOTE 14 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Collaterals, pledges and mortgages ("CPM") given by the Group as of June 30, 2011 and December 31, 2010 are as follows:

CPM's given by the Company	**June 30, 2011**	**December 31, 2010**
A. CPM's given for companies own legal personality	115,210	110,512
B. CPM's given on behalf of fully consolidated companies	12,227	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 majority shareholder	-	-
ii) Total amount of CPM's given to on behalf of other Group Companies which are not in scope of B and C.	-	-
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-
Total	**127,437**	**122,107**

TRY equivalents of collaterals, pledges and mortgages are as follows on currency basis as of June 30, 2011 and December 31, 2010:

CPM's given by the Company	**June 30, 2011**	**December 31, 2010**
USD	80,149	82,777
EUR	26,748	21,747
TRY	19,687	16,806
Other	853	777
	127,437	**122,107**

NOTE 15 - PROVISIONS

	June 30, 2011	**December 31, 2010**
Short-term provisions		
Warranty provision	129,173	111,890
Assembly provision	61,928	38,774
Provision for transportation costs	10,780	7,591
Provision for cost and expenses	6,314	6,235
Other	39,426	40,670
	247,621	**205,160**
Long-term provisions		
Warranty provision	66,136	56,682
Other	1,553	1,454
	67,689	**58,136**

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

NOTE 16 - OTHER ASSETS AND LIABILITIES

	June 30, 2011	December 31, 2010
Other current assets		
Prepaid expenses	27,349	16,079
VAT and PCT receivables	20,211	21,709
Taxes and funds deductible	12,057	29,920
Other order advances given	9,395	2,149
Advances given for inventory	7,393	16,222
Assets held for sale	6,849	6,433
Prepaid taxes and funds	1,883	12,393
Other	7,105	13,079
	92,242	**117,984**
Other current liabilities		
Accruals for customer premiums	126,265	47,781
Accruals for sales and marketing expenses	28,404	19,347
Advances received	24,127	71,620
Accruals for bonuses and premiums	15,261	6,474
Accruals for license fee expenses	14,880	20,028
Accruals for advertising expenses	12,855	11,100
Liabilities attributable to the acquisition	958	1,669
Other	3,387	1,889
	226,137	**179,908**
Other non-current liabilities		
Liabilities attributable to the acquisition	871	1,596
Other	2,466	2,302
	3,337	**3,898**

NOTE 17 - EQUITY

Paid-in capital

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

	June 30, 2011	December 31, 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 17 - EQUITY(Continued)

The shareholding structure of the Company is as follows:

	June 30, 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 17 - EQUITY(Continued)

Revaluation fund

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

	June 30, 2011	December 31, 2010
Financial assets fair value reserve	434,739	487,711
Non-current assets fair value reserve	61,963	33,724
Foreign currency hedge of net investments in foreign operations	(45,749)	(9,737)
Commodity hedge fund	-	271
Revaluation fund total	**450,953**	**511,969**

The movements in the revaluation funds are presented in the consolidated statements of changes in shareholders' equity.

Restricted reserves

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

The details of these restricted reserves are as follows:

	June 30, 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**

In accordance with the decision taken in general meeting, the Company paid in March 2011 the following dividends: 37% corresponding to gross TL 0,36997 (full) (net amount being equal to gross amount) per share of TL1,00 (full) nominal value to the institutional shareholders who are full taxpayers and to the limited liable taxpayers who obtain dividends through a business or permanent representative in Turkey; 37% corresponding to gross TL 0,36997 (full) and net TL0,31449 (full) per share of TL1,00 (full) nominal value to the other shareholders.

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

NOTE 18 - OTHER INCOME AND EXPENSES

	January 1- June 30 2011	January 1- June 30 2010	April 1- June 30 2011	April 1- June 30 2010
Other operating income:				
Income from claims and grants	11,321	16,150	8,934	12,047
Reversals of provisions	2,230	2,508	2,108	1,893
Reversal of provisions for doubtful receivables	1,090	4,085	241	3,634
Income from sales of property, plant and equipment	981	40,468	872	40,279
Other	10,777	7,194	7,163	419
	26,399	**70,405**	**19,318**	**58,272**

(*) At the period ended June 30, 2010, the Group realized gain on sales of factory land, buildings and annexes located in Topkapı, Istanbul to Koç University amounting to TRY 40,055 (Note 23).

	January 1- June 30 2011	January 1- June 30 2010	April 1- June 30 2011	April 1- June 30 2010
Other operating expenses:				
Provision expense for doubtful receivables	(9,498)	(6,334)	(5,768)	(3,321)
Loss from sales of property, plant and equipment	(1,617)	(3,821)	(889)	(2,342)
Provision expense for impairment on inventories	(1,148)	(4,269)	(355)	(2,569)
Other	(15,012)	(6,395)	(10,250)	(4,196)
	(27,275)	**(20,819)**	**(17,262)**	**(12,428)**

NOTE 19 - FINANCIAL INCOME

	January 1- June 30 2011	January 1- June 30 2010	April 1- June 30 2011	April 1- June 30 2010
Foreign exchange gains	192,839	90,855	74,971	45,261
Credit finance income	41,468	35,890	16,656	26,099
Interest income	21,555	19,826	7,636	8,267
Gains on derivative financial instruments	6,127	18,280	2,817	10,921
Other	75	57	51	19
	262,064	**164,908**	**102,131**	**90,567**

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

NOTE 20 - FINANCIAL EXPENSES

	January 1- June 30 2011	January 1- June 30 2010	April 1- June 30 2011	April 1- June 30 2010
Foreign exchange losses	(189,034)	(84,044)	(78,377)	(44,022)
Interest expenses	(48,221)	(56,883)	(24,505)	(26,130)
Cash discounts expenses	(8,610)	(6,716)	(4,388)	(3,685)
Credit finance charges	(8,329)	(9,790)	(23)	(7,127)
Losses on derivative financial instruments	(6,260)	(7,952)	(1,827)	(4,075)
Other	(2,232)	(2,215)	(1,065)	(1,122)
	(262,686)	**(167,600)**	**(110,185)**	**(86,161)**

NOTE 21 - TAX ASSETS AND LIABILITIES

	June 30, 2011	December 31, 2010
Corporation and income taxes	47,797	82,688
Less: prepaid tax	(19,381)	(63,718)
Taxes payable (net)	**28,416**	**18,970**
Deferred tax assets	45,160	39,244
Deferred tax liabilities	(138,860)	(128,549)
Deferred tax liabilities (net)	**(93,700)**	**(89,305)**

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

The corporation tax rate is 20% in Turkey (December 31, 2010: 20%). Corporation tax is payable at a rate of 20% on the total income of the companies after adjusting for certain disallowable expenses, exempt income and allowances.

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

	January 1- June 30 2011	January 1- June 30 2010	April 1- June 30 2011	April 1- June 30 2010
Tax expenses				
- Current period tax expense	(57,129)	(57,186)	(31,039)	(28,219)
- Deferred tax expense	(1,850)	(1,037)	646	(2,037)
Tax expenses (net)	**(58,979)**	**(58,223)**	**(30,393)**	**(30,256)**

The Group recognises deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with CMB Financial Reporting Standards and their statutory financial statements. These temporary differences usually result in the recognition of revenue and expenses in different reporting periods for CMB Financial Reporting Standards and tax purposes.

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

NOTE 21 - TAX ASSETS AND LIABILITIES (Continued)

	Cumulative temporary differences		**Deferred tax assets/ (liabilities)**	
	June 30, 2011	**December 31, 2010**	**June 30, 2011**	**December 31, 2010**
Property, plant and equipment and intangible assets	843,339	755,046	(176,639)	(158,277)
Available-for-sale investments	460,410	513,381	(22,881)	(25,669)
Derivative financial instruments	47	946	(9)	(189)
Provision for warranty and assembly expenses	(191,341)	(146,672)	37,848	29,014
Unused tax credits	(106,399)	(91,109)	21,281	18,223
Provision for employment termination benefits	(102,193)	(96,635)	20,439	19,327
Provision for impairment on inventories	(64,553)	(64,941)	12,911	12,996
Accruals for license fee expenses	(14,880)	(20,028)	2,976	4,006
Provision for doubtful receivables	(13,289)	(6,796)	2,486	1,215
Unearned credit finance income/expense (net)	13,531	(15,302)	(2,703)	3,032
Other	(45,145)	(31,271)	10,591	7,017
Deferred tax liabilities (net)			**(93,700)**	**(89,305)**

	2011	**2010**
As of January 1	**(89,305)**	**(53,692)**
Tax expense recognized in income statement	(1,850)	(1,037)
Tax expense recognized in the shareholders' equity	2,988	(6,269)
Currency translation differences	(5,533)	4,136
As of June 30	**(93,700)**	**(56,862)**

As a result of Group management's evaluation, Group has estimated the tax discounts to be used until the expiration date in accordance with applicable tax laws as TRY 106,399 (December 31, 2010: TRY 91,109) and accounted a deferred tax asset of TRY 21,281 (December 31, 2010 TRY 18,223).

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

NOTE 22 - EARNINGS PER SHARE

Earnings per share for each class of share disclosed in the condensed interim consolidated statements of income is determined by dividing the net income attributable to that class of share by the weighted average number of shares of that class 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 and revaluation surplus calculated. 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 in terms of share groups is as follows:

	January 1- June 30 2011	**January 1- June 30 2010**	**April 1- June 30 2011**	**April 1- June 30 2010**
Net income attribute to the equity holders of the parent	262,778	270,473	137,172	160,828
Weighted average number of ordinary shares with nominal value(Kr each one)	67,572,820,500	67,572,820,500	67,572,820,500	67,572,820,500
Earnings per share (kr)	**0.389**	**0.400**	**0.203**	**0.238**
Dividends paid	250,000	100,000	**-**	**-**
Dividends paid per share (kr)	**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.

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

NOTE 23 – RELATED PARTY DISCLOSURES

(i) Balances with related parties

	June 30, 2011	December 31, 2010
(a) Due from related parties		
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	29,309	10,153
Koçtaş Yapı Marketleri Ticaret A.Ş.	7,888	-
Other	6,071	12,716
	43,268	**22,869**
(b) Due to related parties		
Short term payables:		
Arçelik-LG Klima San. ve Tic. A.Ş.	176,172	105,054
Zer Merkezi Hizmetler ve Ticaret A.Ş.	33,563	63,454
Ram Dış Ticaret A.Ş.	19,327	10,892
Other	4,608	6,603
	233,670	**186,003**
Long term payables:		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	64,053	63,681
	64,053	**63,681**

(c) Deposits

	June 30, 2011	December 31, 2010
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	326,782	473,926
	326,782	**473,926**

(d) Bank borrowings

	June 30, 2011	December 31, 2010
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	265,906	259,851
	265,906	**259,851**

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

NOTE 23 - RELATED PARTY DISCLOSURES (Continued)

e) Derivative financial instruments

	Contract	Fair value	
June 30, 2011	**Amount**	**Assets/(Liabilities)**	
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	67,214	72	(256)
	67,214	**72**	**(256)**

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

(ii) Transactions with related parties

	January 1- June 30, 2011	January 1- June 30, 2010	April 1 - June 30, 2011	April 1 - June 30, 2010
(a) Sales of goods and services:				
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	45,668	36,025	21,098	18,625
Zer Merkezi Hizmetler ve Ticaret A.Ş.	21,410	18,863	10,735	11,084
Koçtaş Yapı Marketleri Ticaret A.Ş.	13,547	10,259	9,143	7,643
Arçelik-LG Klima San. ve Tic. A.Ş.	7,851	9,049	5,255	6,174
Other	6,842	7,732	4,459	5,535
	95,318	**81,928**	**50,690**	**49,061**

(b) Purchases of goods and services

	January 1- June 30, 2011	January 1- June 30, 2010	April 1 - June 30, 2011	April 1 - June 30, 2010
Arçelik-LG Klima San. ve Tic. A.Ş.	236,121	122,649	168,039	89,592
Zer Merkezi Hizmetler ve Ticaret A.Ş.	171,072	155,885	96,453	84,697
Ram Dış Ticaret A.Ş.	39,618	12,125	21,853	3,670
Ram Sigorta Aracılık Hiz. A.Ş.	19,728	16,762	3,167	731
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	7,491	8,276	2,958	2,086
Other	33,412	27,538	20,326	13,693
	507,442	**343,235**	**312,796**	**194,469**

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

NOTE 23 - RELATED PARTY DISCLOSURES (Continued)

(c) Key management compensation

Total compensation provided to Board of Directors, General Manager and Assistant General Managers by the Company during the period ended June 30, 2011 amounts to TRY 6,619 (June 30,2010: TRY 8,490). The compensation includes only short-term employee benefits.

(d) Other transactions

	January 1- June 30, 2011	January 1- June 30, 2010	April 1- June 30, 2011	April 1- June 30, 2010
Income from sale of tangible assets	-	40,055	-	40,055
Interest income:				
Yapı ve Kredi Bankası A.Ş. and				
its subsidiaries	5,164	3,517	1,762	1,647
Interest expenses:				
Yapı ve Kredi Bankası A.Ş. and				
its subsidiaries	3,673	2,585	2,011	1,078

NOTE 24 - NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS

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

Hedging operations and derivative financial instruments

Liquidity Risk

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

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

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

NOTE 24 - NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

Interest Rate Risk

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

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

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 24 - NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

Details of credit and receivable risk as of June 30, 2011 and December 31, 2010 are as follows:

	Trade receivables		Deposits	Derivative
June 30, 2011	**Related party**	**Third party**	**in banks**	**financial instruments**
Maximum exposed credit risk as of reporting date (1)	**43,268**	**2,817,992**	**864,639**	**853**
Secured portion of the maximum credit risk by guarantees, etc.	-	(1,949,903)	-	-
A. Net book value of financial asset either are not due or not impaired	43,268	2,628,476	864,639	853
-Secured portion by guarantees, etc	-	(1,804,938)	-	-
B. Financial assets with renegotiated conditions	-	19,532	-	-
-Secured portion by guarantees, etc,	-	(18,211)	-	-
C. Net book value of overdue but not impaired financial assets	-	121,133	-	-
-Secured portion by guarantees, etc,	-	(77,903)	-	-
D. Net book value of the impaired assets	-	48,851	-	-
-Overdue (Gross book value)	-	174,078	-	-
-Impairment (-)	-	(125,227)	-	-
-Secured portion of the net value by guarantees, etc.	-	(48,851)	-	-

	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 24 - NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

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

	June 30, 2011	December 31, 2010
Group 1	28,323	10,045
Group 2	2,536,118	1,940,405
Group 3	126,835	192,706
	2,691,276	**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

	June 30, 2011	December 31, 2010
0-1 month	54,948	74,712
1-3 months	26,059	27,378
3-12 months	27,440	29,305
1-5 years	12,686	17,161
	121,133	**148,556**

Foreign exchange risk

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

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

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

The Group is exposed to foreign exchange rate risk mainly for Euro, US dollar, Great Britain Pound, Romanian Lei, Russian Ruble, and Poland Zloty.

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

NOTE 24 - NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

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 foreign currency difference arisen from the translation of the net assets of investments in foreign operations. As of June 30, 2011 a portion of bank borrowings in Euro amounting to full EUR 150,000,000 (before tax) was designated as a net investment hedging instrument (December 31, 2010 – full EUR 87,500,000).

Foreign currency position

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

	June 30, 2011	**December 31, 2010**
Assets	1,285,370	1,362,205
Liabilities	(1,615,251)	(1,586,420)
Net balance sheet position	**(329,881)**	**(224,215)**
Net position of derivative financial instruments	300,871	131,932
Net foreign currency position	**(29,010)**	**(92,283)**

NOTE 24 - NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

Currencies, other than the functional currencies of the Company and its' subsidiaries regarding to national economies, are accepted as foreign currencies. The original currencies are presented in thousands ('000). The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent at June 30, 2011 are as follows:

	EUR	USD	GBP	RUB	PLN	RON	CZK	NOK	SEK	AED	TRY Equivalent
Current assets											
Trade receivables	256,811	112,334	76,099	1,209,826	31,401	-	47,061	7	70,221	2,504	1,096,862
Monetary financial assets	18,003	41,090	33	65	6	-	-	-	40	-	109,382
Other	14,263	27,920	40	-	-	-	-	-	-	-	79,126
Total assets	**289,077**	**181,344**	**76,172**	**1,209,891**	**31,407**	**-**	**47,061**	**7**	**70,261**	**2,504**	**1,285,370**
Current liabilities											
Trade payables	96,344	99,016	153	-	-	-	-	224	33,564	-	396,721
Financial liabilities	239,261	366	192	-	-	-	-	-	-	-	563,170
Other monetary financial liabilities	2,465	6,790	724	-	-	-	-	-	-	-	18,750
Non-current liabilities											
Trade payables	-	39,291	-	-	-	-	-	-	-	-	64,053
Financial liabilities	100,020	127,000	50,000	-	-	-	-	-	-	-	572,557
Other monetary financial liabilities	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	**438,090**	**272,463**	**51,069**	**-**	**-**	**-**	**-**	**224**	**33,564**	**-**	**1,615,251**
Net balance sheet position	**(149,013)**	**(91,119)**	**25,103**	**1,209,891**	**31,407**	**-**	**47,061**	**(217)**	**36,697**	**2,504**	**(329,881)**
Derivative financial assets (*)	153,651	74,700	-	-	3,000	-	-	-	4,200	-	485,565
Derivative financial liabilities	(17,460)	(1,750)	(25,000)	(900,000)	(25,000)	-	-	-	(35,000)	-	(184,694)
Net position of derivative financial instruments	136,191	72,950	(25,000)	(900,000)	(22,000)	-	-	-	(30,800)	-	300,871
Net foreign currency asset/ (liability) position	**(12,822)**	**(18,169)**	**103**	**309,891**	**9,407**	**-**	**47,061**	**(217)**	**5,897**	**2,504**	**(29,010)**

(*) 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 derivative assets.

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

NOTE 24 - NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

Net foreign currency position at June 30, 2011, against the functional currencies are as follows:

	EUR	USD	GBP	RUB	PLN	RON	CZK	NOK	SEK	AED	TRY Equivalent
Against TRY	(7,471)	(3,811)	(1,937)	309,891	9,407	-	47,061	7	39,461	2,504	10,214
Against EUR	-	397	-	-	-	-	-	-	-	-	647
Against RUB	(6,398)	(9,402)	-	-	-	-	-	-	-	-	(30,357)
Against PLN	(3,054)	(146)	-	-	-	-	-	-	-	-	(7,412)
Against GBP	4,054	-	-	-	-	-	-	-	-	-	9,524
Against RON	12,716	(5,985)	1,958	-	-	-	-	-	-	-	25,228
Against CZK	(3,052)	-	-	-	-	-	-	-	-	-	(7,170)
Against NOK	221	-	-	-	-	-	-	-	(33,564)	-	(7,989)
Against SEK	(4,722)	-	-	-	-	-	-	(224)	-	-	(11,160)
Against CNY	246	778	82	-	-	-	-	-	-	-	2,060
Against other currencies	(5,362)	-	-	-	-	-	-	-	-	-	(12,595)
	(12,822)	**(18,169)**	**103**	**309,891**	**9,407**	**-**	**47,061**	**(217)**	**5,897**	**2,504**	**(29,010)**

NOTE 24 - NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

Currencies, other than the functional currencies of the Company and its' subsidiaries regarding to national economies, are accepted as foreign currencies. The original currencies are presented in thousands ('000). The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent at December 31, 2010 are as follows:

	EUR	USD	GBP	RUB	PLN	RON	AED	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)**
Derivative financial assets (*)	115,827	15,374	-	14,200	5,200	-	-	264,513
Derivative financial liabilities	(1,657)	-	(35,000)	(650,000)	(25,000)	-	-	(132,581)
Net position of derivative financial instruments	114,170	15,374	(35,000)	(635,800)	(19,800)	-	-	131,932
Net foreign currency asset/ (liability) position	**(41,572)**	**(26,981)**	**3,352**	**354,556**	**12,473**	**1,420**	**3,956**	**(92,283)**

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

	EUR	USD	GBP	RUB	PLN	RON	AED	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 currency position	**(41,572)**	**(26,981)**	**3,352**	**354,556**	**12,473**	**1,420**	**3,956**	**(92,283)**

(*) Total amount designated as hedging instrument against to the foreign currency risk arisen from the conversion of net investments in foreign operation is included in derivative assets.

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

NOTE 24 - NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

As of June 30, 2011, sensitivity analysis of foreign exchange rates is presented below:

	Gain/Loss		**Equity**	
	Foreign exchange appreciation	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/-10% fluctuation of USD rate				
USD net asset/liability	(14,854)	14,854	(14,854)	14,854
Secured portion from USD risk (*)	11,893	(11,893)	11,893	(11,893)
USD net effect	**(2,961)**	**2,961**	**(2,961)**	**2,961**
+/-10% fluctuation of EUR rate				
EUR net asset/liability	(35,006)	35,006	(24,400)	24,400
Secured portion from EUR risk (*)	31,994	(31,994)	31,994	(31,994)
EUR net effect	**(3,012)**	**3,012**	**7,594**	**(7,594)**
+/-10% fluctuation of GBP rate				
GBP net asset/liability	6,555	(6,555)	22,501	(22,501)
Secured portion from GBP risk (*)	(6,528)	6,528	(6,528)	6,528
GBP net effect	**27**	**(27)**	**15,973**	**(15,973)**
+/-10% fluctuation of RUB rate				
RUB net asset/liability	6,983	(6,983)	21,398	(21,398)
Secured portion from RUB risk (*)	(5,195)	5,195	(5,195)	5,195
RUB net effect	**1,788**	**(1,788)**	**16,203**	**(16,203)**
+/-10% fluctuation of RON rate				
RON net asset/liability	-	-	26,187	(26,187)
Secured portion from RON risk (*)	-	-	-	-
RON net effect	**-**	**-**	**26,187**	**(26,187)**
+/-10% fluctuation of PLN rate				
PLN net asset/liability	1,850	(1,850)	4,155	(4,155)
Secured portion from PLN risk (*)	(1,296)	1,296	(1,296)	1,296
PLN net effect	**554**	**(554)**	**2,859**	**(2,859)**
+/-10% fluctuation of CZK rate				
CZK net asset/liability	454	(454)	901	(901)
Secured portion from CZK risk (*)	-	-	-	-
CZK net effect	**454**	**(454)**	**901**	**(901)**
+/-10% fluctuation of NOK rate				
NOK net asset/liability	(7)	7	(1,158)	1,158
Secured portion from NOK risk (*)	-	-	-	-
NOK net effect	**(7)**	**7**	**(1,158)**	**1,158**
+/-10% fluctuation of SEK rate				
SEK net asset/liability	930	(930)	1,187	(1,187)
Secured portion from SEK risk (*)	(781)	781	(781)	781
SEK net effect	**149**	**(149)**	**406**	**(406)**
+/-10% fluctuation of AED rate				
AED net asset/liability	106	(106)	106	(106)
Secured portion from AED risk (*)	-	-	-	-
AED net effect	**106**	**(106)**	**106**	**(106)**
	(2,903)	**2,903**	**66,110**	**(66,110)**

(*) Includes impact of derivative financial instruments.

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

NOTE 24 - NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

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

	Gain/Loss		Equity	
	Foreign exchange appreciation	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/-10% fluctuation of USD rate				
USD net asset/liability	(6,548)	6,548	(6,548)	6,548
Secured portion from USD risk (*)	2,377	(2,377)	2,377	(2,377)
USD net effect	**(4,171)**	**4,171**	**(4,171)**	**4,171**
+/-10% fluctuation of EUR rate				
EUR net asset/liability	(31,913)	31,913	(20,396)	20,396
Secured portion from EUR risk (*)	23,395	(23,395)	23,395	(23,395)
EUR net effect	**(8,518)**	**8,518**	**2,999**	**(2,999)**
+/-10% fluctuation of GBP rate				
GBP net asset/liability	9,161	(9,161)	20,928	(20,928)
Secured portion from GBP risk (*)	(8,360)	8,360	(8,360)	8,360
GBP net effect	**801**	**(801)**	**12,568**	**(12,568)**
+/-10% fluctuation of RUB rate				
RUB net asset/liability	4,975	(4,975)	17,784	(17,784)
Secured portion from RUB risk (*)	(3,194)	3,194	(3,194)	3,194
RUB net effect	**1,781**	**(1,781)**	**14,590**	**(14,590)**
+/-10% fluctuation of RON rate				
RON net asset/liability	67	(67)	21,682	(21,682)
Secured portion from RON risk (*)	-	-	-	-
RON net effect	**67**	**(67)**	**21,682**	**(21,682)**
+/-10% fluctuation of PLN rate				
PLN net asset/liability	1,670	(1,670)	3,512	(3,512)
Secured portion from PLN risk (*)	(1,024)	1,024	(1,024)	1,024
PLN net effect	**646**	**(646)**	**2,488**	**(2,488)**
+/-10% fluctuation of AED rate				
AED net asset/liability	168	(168)	168	(168)
Secured portion from AED risk (*)				
AED net effect	**168**	**(168)**	**168**	**(168)**
	(9,226)	**9,226**	**50,325**	**(50,325)**

(*) Includes impact of derivative financial instruments.

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

NOTE 24 - NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

Import and exports performed to / from Turkey for the periods ended June 30, are as follows:

	June 30, 2011		June 30, 2010	
	Original amount (in full)	**TRY equivalent**	**Original amount (in full)**	**TRY equivalent**
EUR	352,426,292	777,935	361,663,023	726,667
USD	140,264,819	220,158	193,000,077	293,464
GBP	101,341,004	256,518	96,954,251	224,550
Other		115,872	-	45,442
Total exports		**1,370,483**		**1,290,123**
EUR	192,066,666	419,425	169,778,439	351,406
USD	352,044,958	549,090	338,583,181	542,018
GBP	325,269	822	253,071	634
Other		1,888	-	3,622
Total imports		**971,225**		**897,680**

NOTE 25 - SUPPLEMENTARY CASH FLOW INFORMATION

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

"Changes in provisions" and "Changes in operating assets and liabilities" presented in the consolidated statements of cash flows are as follows:

	June 30, 2011	June 30, 2010
Changes in provisions:		
Accrual for customer premiums	78,484	29,070
Warranty provision	26,736	(3,450)
Assembly and transportation provision	26,343	9,653
Provision for doubtful receivables	9,498	6,334
Accrual for sales and marketing expenses	9,057	14,497
Accrual for bonuses and premiums	8,787	9,860
Provision for employment termination benefits	5,700	6,027
Provision for impairment on inventories	1,148	4,269
	165,753	**76,260**
Changes in operating assets and liabilities:		
Trade receivables and due from related parties	(533,719)	(182,568)
Inventories	(227,063)	(77,984)
Other current assets and liabilities	(53,712)	(56,438)
Trade payables and due to related parties	120,868	96,526
	(693,626)	**(220,464)**

NOTE 26 – SUBSEQUENT EVENTS

On July 20, 2011, the Group has entered into an agreement with Franke Holding AG, to be acquired 100% shares of Defy Appliances (Pty) Limited originated in South Africa, by Ardutch B.V., a subsidiary of the Company established in Netherlands, with an amount of South Africa Rand 2.25 billion. The share transfer, which depends on the fulfillment of conditions precedent and obtaining necessary regulatory approvals from the South African and Namibian Antitrust Authorities, is expected to be finalized at the end of September 2011.

On July 12, 2011, the Group established a sales and marketing company in Australia, in line with the accretion strategies and the purpose for expansion to the new markets.

In July 2011, the Group established a purchase office in Taiwan as a branch of Ardutch B.V., in order to manage purchase process for electronical components effectively.

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