(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, 2010 together with independent auditors' report

(Convenience translation of the independent auditor's 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, 2010 AND 2009

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

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

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2010 AND 2009

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

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

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

ARÇELİK ANONİM ŞİRKETİ

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

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

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

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

ARÇELİK ANONİM ŞİRKETİ

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

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

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

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

ARÇELİK ANONİM ŞİRKETİ

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

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

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

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

ARÇELİK ANONİM ŞİRKETİ

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

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

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

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

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

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

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

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

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

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

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

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

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

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Improvements to IFRSs (published at May 2010):

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

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

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

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

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

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

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

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

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

Functional and presentation currency

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

Financial statements of subsidiaries operating in countries other than Turkey

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

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

Consolidation principles

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

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

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

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

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

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

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

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

(*) Activities like appointment of the subsidiary's management or votes of the board of directors are controlled by Arçelik, accordingly the subsidiary has been fully consolidated when the shareholding percentage is 50%.

(**) Dissolved at August 10, 2010.

(***) Dissolved at December 15, 2010.

(****) Legally merged with Beko Espana at December 22, 2010.

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

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

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

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

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

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

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

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

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

Going concern

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

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

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.

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

2.2 Restatement and errors in the accounting policies and estimates

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

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

2.3 Summary of significant accounting policies

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

Related parties

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

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

Trade receivables

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

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

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

Credit finance income/charges

Credit finance income/charges represent imputed finance income/charges on credit sales and purchases. Such income/charges calculated by using the effective interest method are recognized as financial income or expenses over the period of credit sale and purchases, and included under financial income and expenses (Notes 27, 28).

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

Inventories

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

Financial investments

Classification

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

(a) Loans and receivables

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

(b) Available-for-sale financial assets

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

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

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

Any gains or losses arising from changes in fair value on derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges.

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

Derivative financial instruments held for trading

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

Derivative financial instruments held for hedging

Cash flow hedge

The Group designated commodity swap agreements as a cash flow hedge against any gains or losses arising from cash flow risk of potential transactions in the future, which may affect income statement.

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

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

Foreign currency hedge of net investments in foreign operations

Gains or losses on the hedging instrument relating to the effective portion of the foreign currency hedge of net investments in foreign operations are recognized as other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the income statement. The gain or loss on the hedging instruments that has been recognized directly in equity, is transferred to income statement on the disposal of the foreign operation (Note 32).

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

Cash and cash equivalents

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

Investment properties

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

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

Property, plant and equipment and related depreciation

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

Land and land improvements	10 - 50 years
Buildings	30 - 50 years
Machinery and equipment	11 - 25 years
Moulds	4 - 7 years
Motor vehicles, furniture and fixtures	4 - 10 years
Leasehold improvements	3 - 10 years

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

Gains or losses on disposals of property, plant and equipment are included in other income or expense accounts.

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

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

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuous use and depreciation and amortisation charges for those assets are ceased. Non-current assets classified as held for sale are measured at the lower of carrying amounts and their fair values less costs to sell. Non-current assets held for sale of the Group includes land and buildings acquired as collaterals during the management of the credit risk of trade receivables.

Intangible assets

Intangible assets are comprised of acquired brands, trademarks, patents, developments costs and computer software (Note15).

a) Brands

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

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

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

b) Trademark licenses and patents

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

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

c) Development costs

Costs incurred on development projects relating to the design and testing of new or improved products are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other research and development expenditures are recognized as an expense as incurred. Development expenditures previously recognized as an expense cannot be recognized as an asset in a subsequent period. Development costs that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis from two to ten years.

d) Computer software

Computer software is recognized at its acquisition cost. Computer software is amortised on a straight-line basis over their estimated useful lives of four to fifteen years and carried at cost less accumulated amortisation.

Business combinations and goodwill

A business combination is evaluated as the bringing together of separate entities or businesses into one reporting entity.

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

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

Goodwill recognized in business combinations is tested for impairment annually (as of December 31) or more frequently if events or changes in circumstances indicate impairment, instead of amortization (Note 3, 16). Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

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

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.

The Group has not realized a business combination in the year ending December 31, 2010. Amended IFRS 3 "Business Combinations", which is effective for the periods beginning January 1, 2010, will be applied for possible future business combinations.

Transactions with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. Regarding the purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is accounted for under equity. Gains or losses on disposals to non-controlling interests are also accounted for in equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also accounted for in equity.

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

Current and deferred income tax

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

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

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

The principal temporary differences arise from the carrying value of property, plant and equipment and available-for-sale-investments and their historical cost, presently non-deductible/taxable provisions and unused tax allowances and exemptions.

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

Provided that deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and it is legally eligible, they may be offset against one another.

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

Trade payables

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

Employment termination benefits

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

Foreign currency transactions

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

Revenue recognition

Revenues are recognized on an accrual basis at the fair values incurred or to be incurred when the goods are delivered, the risks and rewards of ownership of the goods are transferred, when the amount of revenue can be reliably measured and it is probable that the future economic benefits associated with the transaction will flow to the entity. Net sales represent the fair value of goods shipped less sales discounts and returns. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized in the period on an accrual basis as financial income (Note 27). Interest income is recognized on a time proportion basis that takes into account the effective yield on the assets.

Incentives for investments, research and development activities

Gains arising from incentives for investment and research and development activities are recognized when the Company's incentive claims are approved by the related authorities.

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

Dividends

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

Warranty expenses

Warranty expenses are recorded as a result of repair and maintenance expenses for products produced and sold, authorised services' labour and material costs for products under the scope of the warranty terms without any charge to the customers, initial maintenance costs and estimated costs based on statistical information for possible future warranty services and returns of products with respect to the products sold during the period (Note 19).

Paid-in capital

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

Share premium

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

Provisions

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

Contingent assets and liabilities

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

Earnings per share

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

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

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

Segment reporting

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

Reporting of cash flows

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

Cash flows related with investing activities present the cash flows provided from and used in the Group's investing activities (tangible-intangible assets and financial investments)

Cash flows related with financing activities present the proceeds and repayments of sources in the Group's financing activities.

2.4 Critical accounting estimates, judgments, and assumptions

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

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.

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

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

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

2. 5 Convenience translation into English of consolidated financial statements originally issued in Turkish

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

NOTE 3 - BUSINESS COMBINATIONS

No business combination has been realized in the year ending December 31, 2010.

<u>Business combinations in 2009</u>

As of June 30, 2009 Grundig Elektronik A.Ş., a subsidiary of the Group, merged with Arçelik A.Ş., the parent company of the Group.

On May 27, 2009, the Company management obtained authorisation from the CMB to execute the transactions to merge Grundig Elektronik into the Company through the transfer of all its assets and liabilities to the Company in accordance with the 451 and other related articles of Turkish Commercial Code, Corporate Tax Laws' articles 18-20th and CMB Legislation based on the financial statements as of December 31, 2008 prepared in accordance with CMB Financial Reporting Standards. As a result of the merger decision taken in accordance with articles above at the Extraordinary General Assembly meeting held on June 29, 2009, Grundig Elektronik was dissolved on June 30, 2009 and, at the same date, the merger of Arçelik and Grundig Elektronik was realised. The pre-merger issued capital of Arçelik, which was TRY659,934, increased to TRY675,728 with an increase of TRY15,794 as a result of the merger. Increased capital regarding to merger, registered as of June 30, 2009, was covered by restricting the rights of current Arçelik shareholders to buy new shares and by the equity capital acquired from Grundig Elektronik. The exchange transactions carried out through a share swap of 0.1947 Arçelik shares for each Grundig Elektronik share began on July 10, 2009; Grundig Elektronik was delisted from the Istanbul Stock Exchange as of the same date.

As of June 30, 2009, the non-controlling interest transferred amounting to TRY34,341 comprises paid-in capital of TRY81,119, share premium of TRY95, restricted reserves of TRY4,040, revaluation fund of TRY9,098, adjustment to share capital of TRY55,340, translation differences of TRY1,757, previous years losses of TRY110,709 and current period loss of TRY6,399. TRY15,794 of the aforementioned non-controlling interest has been transferred to the paid-in capital and the remaining amount of TRY14,507 has been classified as "Contribution to shareholders' equity related to the merger" under equity.

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

NOTE 4 - SEGMENT REPORTING

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

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

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

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

a) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2010 are as follows:

	White Goods	**Consumer Electronics**	**Other**	**Total**
Total segment revenue	4,391,627	1,255,580	1,289,213	6,936,420
Gross profit	1,587,447	261,772	218,728	2,067,947
Depreciation and amortisation	144,448	44,312	7,890	196,650
Capital expenditures	214,630	32,618	6,229	253,477
Income from associates	-	-	11,907	11,907

b) Operational segments which have been prepared in accordance with the reportable segments for the year ended December 31, 2009 are as follows:

	White Goods	**Consumer Electronics**	**Other**	**Total**
-Total segment revenue	4,303,003	1,209,236	1,079,656	6,591,895
Gross profit	1,729,085	262,595	182,323	2,174,003
Depreciation and amortisation	121,637	55,946	7,811	185,394
Capital expenditures	167,694	34,405	5,383	207,482
Income from associates	-	-	5,567	5,567

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

NOTE 4 - SEGMENT REPORTING (Continued)

c) Sales revenue that are grouped geographically for the years ended in December 31, 2010 and 2009 are shown below:

2010	**Turkey**	**Europe**	**Other**	**Total**
Total segment revenue	3,417,201	2,643,260	875,959	6,936,420
Income from associates	11,907	-	-	11,907

2009	**Turkey**	**Europe**	**Other**	**Total**
Total segment revenue	3,169,999	2,629,670	792,226	6,591,895
Income from associates	5,567	-	-	5,567

NOTE 5 - CASH AND CASH EQUIVALENTS

	2010	**2009**
Cash in hand	328	268
Cash at banks		
- demand deposits	52,587	44,806
- time deposits	1,229,706	816,637
Cheques and notes	29,914	37,646
Others	540	776
Cash and cash equivalents in cash flow statement	**1,313,075**	**900,133**
Interest income accruals	4,091	4,601
	1,317,166	**904,734**

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

Up to 30 days	887,270	692,983
30 - 90 days	429,896	211,751
	1,317,166	**904,734**

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

NOTE 6 - FINANCIAL INVESTMENTS

Available-for-sale investments

	December 31,2010		**December 31,2009**	
	%	**TRY**	**%**	**TRY**
Koç Finansal Hizmetler A.Ş.	3.98	657,168	3.98	394,303
Other		1,511		1,511
		658,679		**395,814**

	2010	**2009**
Balance at the beginning of the year	**395,814**	**540,182**
Fair value gains/(losses)	262,865	124,327
Disposal of available for sale investment - fair value reserve	-	(128,028)
Disposal of available for sale investment - carrying value	-	(138,766)
Impairment of financial assets	-	(1,901)
Balance at the end of the year	**658,679**	**395,814**

The unrealized gain (net) arising from the changes in the fair value of the available for sale investments amounting to TRY249,722 (December 31, 2009: TRY118,111), net of deferred tax effect amounting to TRY13,143 (December 31, 2009: TRY6,216), are recognized in consolidated shareholders' equity under the "financial assets fair value reserve" at December 31, 2010.

Available-for-sale investment of the Group includes shares of Koç Finansal Hizmetler A:Ş. as an unlisted company, which owns the majority shareholder of Yapı ve Kredi Bankası with 81.80%. Since the shares of Yapı ve Kredi Bankası are traded in İstanbul Stock Exchange, the fair value of shares of Koç Finansal Hizmetler has been determined by using several methods such as the existing market value of Yapı ve Kredi Bankası and discounted cash flow method and comparisons with recent similar local or international acquisitions realized. In the aforementioned discounted cash flow method, US Dollar based discount rate of 12.4 % has been taken into consideration.

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

NOTE 7 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	2010	**2009**
Short-term bank borrowings	599,098	332,398
Short-term portion of long-term bank borrowings	239,738	1,590,798
Other	384	531
	839,220	**1,923,727**

Short-term bank borrowings

TRY loans	11,574	9,612
Foreign currency loans	587,524	322,786
	599,098	**332,398**

The effective interest rates (%) of short-term bank borrowings are as follows:

	2010	**2009**
Foreign currency loans	2.11	3.16

b) Long-term financial liabilities

	2010	**2009**
Long-term bank borrowings	1,218,002	187,946
Other	70	368
	1,218,072	**188,314**

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

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

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

NOTE 7 - FINANCIAL LIABILITIES (Continued)

As of December 31, 2009, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum(%)	Original currency	TRY amount
TRY	8.84	1,215,843,412	1,215,843
EUR	2.18	242,080,815	522,968
USD	5.97	26,521,521	39,933
			1,778,744
Less: short-term portion			(1,590,798)
			187,946

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

	2010	2009
2011	-	151,941
2012	489,062	36,005
2013	728,940	-
	1,218,002	**187,946**

As of December 31, the analysis of borrowings in terms of periods remaining to contractual repricing dates is as follows:

	2010	2009
Up to 6 months	1,929,393	2,092,105
6 - 12 months	127,445	19,037
	2,056,838	**2,111,142**

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS

	December 31,2010			December 31,2009		
	Contract amount	Fair value Assets	Fair value (Liabilities)	Contract amount	Fair value Assets	Fair value (Liabilities)
Held for trading						
Foreign currency forward contracts	217,977	817	(207)	433,446	4,204	(643)
Foreign currency swap contracts	71,440	29	(32)	100,265	240	(55)
Cash flow hedge						
Commodity swap contracts	1,414	339	-	-	-	-
	290,831	**1,185**	**(239)**	**533,711**	**4,444**	**(698)**

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	2010	2009
Short-term trade receivables		
Trade receivables	1,381,506	1,276,876
Notes receivables	961,075	962,125
Cheques receivables	128,754	130,490
Due from related parties (Note 31)	22,869	26,217
Short-term trade receivables (gross)	**2,494,204**	**2,395,708**
Less: Provision for doubtful receivables	(110,611)	(107,312)
Less: Unearned credit finance income	(59,015)	(55,385)
Short-term trade receivables (net)	**2,324,578**	**2,233,011**

Movement of provision for doubtful receivables are as follows:

	2010	2009
Balance at the beginning of the year	**107,312**	**94,625**
Current year additions (Note 26)	19,882	19,618
Provisions no longer required (Note 26)	(8,306)	(3,855)
Write-offs	(8,847)	-
Currency translation differences	210	(3,076)
Balance at the end of the year	**110,611**	**107,312**

Long-term trade receivables		
Trade receivables	12,461	4,254
	12,461	**4,254**

Short-term trade payables		
Trade payables	787,755	655,439
Due to related parties (Note 31)	186,003	111,429
Unearned credit finance charges	(4,796)	(4,466)
	968,962	**762,402**

Long-term trade payables		
Due to related parties (Note 31)	63,681	67,380
	63,681	**67,380**

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

NOTE 10 - OTHER PAYABLES

	2010	2009
Other payables		
Taxes and duties payables	81,002	70,549
Payables to personnel	38,768	29,427
Deposits and guarantees received	6,140	2,420
Other	3,600	2,137
	129,530	**104,533**

NOTE 11 - INVENTORIES

	2010	2009
Raw materials and supplies	560,738	520,057
Work in progress	37,861	33,859
Finished goods	346,418	327,956
Trade goods	115,087	123,253
Inventories (gross)	**1,060,104**	**1,005,125**
Less: Provision for impairment on inventories	(72,578)	(98,339)
Inventories (net)	**987,526**	**906,786**

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

	2010	2009
Raw materials and supplies	63,734	67,894
Finished goods	6,442	14,532
Trade goods	2,402	15,913
	72,578	**98,339**

Movement of provision for impairment on inventories is as follows:

	2010	2009
Balance at the beginning of the year	**98,339**	**48,106**
Current year additions (Note 26)	5,909	73,871
Realised due to sales of inventory	(29,663)	(19,733)
Provisions no longer required	-	(4,257)
Currency translation differences	(2,007)	352
Balance at the end of the year	**72,578**	**98,339**

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

NOTE 12 - ASSOCIATES

	December 31, 2010		December 31, 2009	
	%	**TRY**	**%**	**TRY**
Koç Tüketici Finansmanı A.Ş.	47,0	62,787	47.00	59,592
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	45.0	58,778	45.00	57,926
Ram Dış Ticaret A.Ş.	33.5	10,358	33.50	7,583
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	32.0	4,681	32.00	4,068
		136,604		**129,169**

	2010	**2009**
Balance at the beginning of the year	**129,169**	**123,602**
Income from associates (net)	11,907	5,567
Dividend received from associates	(4,472)	-
Balance at the end of the year	**136,604**	**129,169**

Income from associates

	2010	**2009**
Koç Tüketici Finansmanı A.Ş.	6,954	1,711
Ram Dış Ticaret A.Ş.	3,488	2,216
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	852	(163)
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	613	1,803
	11,907	**5,567**

The summary financial statements of associates

	2010	**2009**
Total assets	1,773,383	1,385,635
Total liabilities	1,463,626	1,094,769
Sales revenues	1,158,449	1,072,310
Net income for the year	29,016	18,002

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

NOTE 13 - INVESTMENT PROPERTIES

	2010	**2009**
As of January 1		
Cost	12,711	12,123
Accumulated depreciation	(6,367)	(3,335)
Net book value	**6,344**	**8,788**
Net book value at the beginning of the year	**6.344**	**8.788**
Disposals	(412)	-
Transfers	-	398
Currency translation differences	(328)	68
Current year depreciation	(124)	(133)
Impairment	-	(2,777)
Net book value at the end of the year	**5,480**	**6,344**
As of December 31		
Cost	11,441	12,711
Accumulated depreciation	(5,961)	(6,367)
Net book value	**5,480**	**6,344**

As of December 31, 2010, the carrying values of investment properties represent their fair values.

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

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

	January 1, 2010	Additions	Disposals	Transfers	Currency translation differences	December 31, 2010
Cost						
Land	16,254	34	(461)	-	(199)	15,628
Land improvements	28,360	1,571	(28)	-	-	29,903
Buildings	521,666	938	(22,673)	6,472	(1,085)	505,318
Machinery and equipment	2,523,068	25,025	(71,189)	117,425	(4,390)	2,589,939
Motor vehicles, furniture and fixtures	205,439	23,896	(4,108)	1,614	(1,514)	225,687
Leasehold improvements	33,422	3,819	(83)	-	(35)	37,123
Construction in progress	4,348	128,339	(99)	(125,511)	(135)	6,942
	3,332,557	**183,622**	**(98,641)**	**-**	**(6,998)**	**3,410,540**
Accumulated depreciation						
Land improvements	(15,199)	(1,300)	28	-	-	(16,471)
Buildings	(163,650)	(11,138)	13,136	-	1,068	(160,584)
Machinery and equipment	(1,723,570)	(128,879)	65,656	-	4,243	(1,782,550)
Motor vehicles, furniture and fixtures	(156,586)	(13,918)	3,709	-	626	(166,169)
Leasehold improvements	(29,443)	(3,129)	44	-	7	(32,521)
	(2,008,448)	**(158,364)**	**82,573**	**-**	**5,944**	**(2,158,295)**
Net book value	**1,244,109**					**1,252,245**

There is no mortgage on property, plant and equipment as of December 31, 2010 (December 31, 2009-nil).

	January 1, 2009	Additions	Disposals	Transfers	Currency translation differences	December 31, 2009
Cost						
Land	15,970	518	(51)	-	(183)	16,254
Land improvements	28,022	404	(66)	-	-	28,360
Buildings	525,843	1,209	(104)	369	(5,651)	521,666
Machinery and equipment	2,481,069	72,466	(83,191)	62,142	(9,418)	2,523,068
Motor vehicles, furniture and fixtures	208,607	10,690	(13,438)	(102)	(318)	205,439
Leasehold improvements	34,853	380	(1,953)	-	142	33,422
Construction in progress	9,837	59,408	(90)	(64,959)	152	4,348
	3,304,201	**145,075**	**(98,893)**	**(2,550)**	**(15,276)**	**3,332,557**
Accumulated depreciation						
Land improvements	(14,173)	(1,026)	-	-	-	(15,199)
Buildings	(155,156)	(10,263)	-	52	1,717	(163,650)
Machinery and equipment	(1,679,781)	(126,929)	79,060	-	4,080	(1,723,570)
Motor vehicles, furniture and fixtures	(156,620)	(12,984)	13,015	-	3	(156,586)
Leasehold improvements	(26,138)	(4,907)	1,696	-	(94)	(29,443)
	(2,031,868)	**(156,109)**	**93,771**	**52**	**5,706**	**(2,088,448)**
Net book value	**1,272,333**					**1,244,109**

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

NOTE 15 - INTANGIBLE ASSETS

	January 1, 2010	Additions	Disposals	Transfers	Currency translation differences	December 31, 2010
Cost:						
Brand and rights	351,757	9,230	(1,074)	-	(10,393)	349,520
Development costs	162,808	59,994	-	-	-	222,802
Other	25,117	631	(531)	-	(240)	24,977
	539,682	**69,855**	**(1,605)**	**-**	**(10,633)**	**597,299**
Accumulated amortisation:						
Rights	(51,144)	(7,878)	1,074	-	281	(57,667)
Development costs	(31,869)	(29,321)	-	-	-	(61,190)
Other	(16,676)	(963)	496	-	118	(17,025)
	(99,689)	**(38,162)**	**1,570**	**-**	**399**	**(135,882)**
Net book value	**439,993**					**461,417**

	January 1, 2009	Additions	Disposals	Transfers	Currency translation differences	December 31, 2009
Cost:						
Brand and rights	344,657	3,759	(1,443)	2,100	2,684	351,757
Development costs	104,519	58,289	-	-	-	162,808
Other	24,801	359	(240)	-	197	25,117
	473,977	**62,407**	**(1,683)**	**2,100**	**2,881**	**539,682**
Accumulated amortisation:						
Rights	(45,201)	(7,171)	1,443	-	(215)	(51,144)
Development costs	(10,774)	(21,095)	-	-	-	(31,869)
Other	(15,787)	(886)	56	-	(59)	(16,676)
	(71,762)	**(29,152)**	**1,499**	**-**	**(274)**	**(99,689)**
Net book value	**402,215**					**439,993**

Brand impairment test

Brands were tested for impairment using the royalty relief method as of December 31, 2010. Sales forecasts which are based on financial budgets approved by the board of directors covering a three to five-year period were considered in the determination of the brand value. Sales forecasts beyond the three and five-year period are extrapolated with 2.5% expected growth rate. The estimated royalty income is calculated by applying the expected 2% to 3% royalty rate. The royalty income calculated with the aforementioned method have been discounted with 9% to 11% discount rates.

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

NOTE 16 - GOODWILL

	2010	2009
Net book value		
Balance at the beginning of the year	**7,511**	**10,255**
Effect of the change in contingent liabilities attributable to acquisition (*)	(108)	(2,807)
Currency translation difference	(213)	63
Balance at the end of the year	**7,190**	**7,511**

(*) The royalty income forecasts from the sales in United Kingdom and Ireland under Grundig brand, which are used for determination of the contingent liability at the acquisition date were revised in accordance with the actual sales realised in 2008, 2009 and 2010. Decrease in the contingent liability resulted from the change in royalty income forecasts are adjusted reciprocally with goodwill in compliance with IFRS 3 which is effective for the business combinations performed before January 1, 2010.

Goodwill impairment test

As of December 31, 2010, the carrying value of goodwill was tested for impairment by comparison with its recoverable amount. The recoverable amount was determined on the basis of value in use calculations. Pre-tax cash flow projections based on financial budgets approved by the board of directors covering a five-year period were used in these calculations. Pre-tax cash flow projections beyond five-year period are extrapolated by 2.5% expected growth rates. The estimated cash flows are discounted to their present values with 9% before tax ratio.

NOTE 17 - GOVERNMENT GRANTS

There are investment incentive certificates to which the Company has been entitled by the official authorities in connection with certain capital expenditures. The rights of the Company due to these incentives are as follows:

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

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

NOTE 18 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Commitments are as follows:

	2010	**2009**
Operational lease commitments	5,965	10,192

The Company has export commitment of full USD480,534,762 in scope of export incentive as of December 31, 2010 (December 31,2009: full USD898,827,150)

Derivative Financial Instruments

TRY equivalents of the Group's foreign exchange purchase and sales commitments in terms of currencies as of December 31, 2010 and 2009 are as follows:

December 31,2010	**Foreign exchange purchase commitment**	**Forward exchange sales commitment**
EUR	93,903	3,396
USD	23,768	-
TRY	23,930	11,830
GBP	-	83,601
RUB	713	32,650
PLN	2,691	12.935
	145,005	**144,412**

December 31, 2009	**Foreign exchange purchase commitment**	**Forward exchange sales commitment**
EUR	59,330	34,666
TRY	165,901	50,059
USD	39,304	-
GBP	4,778	162,466
PLN	-	12,230
RUB	-	4,979
	269,313	**264,400**

	2010	**2009**
Collaterals obtained	1,887,230	1,812,962

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

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

Collaterals, pledges and mortgages ("CPM") given by the Group as of December 31, 2010 and 2009 are as follows:

CPM’s given by the Company	**2010**	**2009**
A. CPM’s given for companies own legal personality	110,512	89,724
B. CPM’s given on behalf of fully consolidated companies	11,595	216
C. CPM’s given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPM’s	-	-
i) Total amount of CPM’s given on behalf of the majority shareholder	-	-
ii) Total amount of CPM’s given to on behalf of other Group Companies which are not in scope of B and C.	-	-
iii) Total amount of CPM’s given on behalf of third parties which are not in scope of C.	-	-
	122,107	**89,940**

TRY equivalents of collaterals, pledges and mortgages are as follows on currency basis as of December 31,2010 and 2009:

CPM's given	**2010**	**2009**
USD	82,777	56,833
EUR	21,747	12,585
TRY	16,806	18,090
Other	777	2,432
	122,107	**89,940**

NOTE 19 - PROVISIONS

	2010	**2009**
Short-term provisions		
Warranty provision	111,890	109,543
Assembly provision	38,774	36,226
Provision for cost and expenses	6,235	10,239
Provision for transportation costs	7,591	6,298
Other	40,670	42,353
	205,160	**204,659**

	2010	**2009**
Long-term provisions		
Warranty provision	56,682	58,603
Other	1,454	2,158
	58,136	**60,761**

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

NOTE 20 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

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

The amount payable consists of one month's salary limited to a maximum of full TRY2,517.01 (December 31, 2009: full TRY2,365.16) for each period of service at December 31, 2010.

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

In accordance with Turkish Labour Code, employment termination benefit is the present value of the total estimated provision for the liabilities of the personnel who may retire in the future. The Group is obligated to pay employment termination benefit for the personnel who are called up to military service, passed away or retired. The provision made for present value of determined social relief is calculated by the prescribed liability method. All actuarial profits and losses are accounted in the consolidated income statement.

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

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

	2010	**2009**
Discount rate (%)	4.66	5.92
Rate used to estimate the probability of retirement (%)	98	99

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of full TRY2,623.23 (January 1, 2010: full TRY2,427.04) which is effective from January 1, 2011 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

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

NOTE 20 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (Continued)

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

	2010	**2009**
Balance at the beginning of the year	**85,335**	**60,217**
Interest expense	4,916	3,457
Actuarial losses / (gains)	3,168	386
Increase during the year	18,274	36,848
Payments during the year	(11,862)	(15,538)
Currency translation differences	(131)	(35)
Balance at the end of the year	**99,700**	**85,335**

NOTE 21 - OTHER ASSETS AND LIABILITIES

	2010	**2009**
Other current assets		
Taxes and funds deductible	29,920	36,579
VAT and PCT receivables	21,709	15,823
Advances given for inventory	16,222	3,651
Prepaid expenses	16,079	10,541
Prepaid taxes and funds	12,393	26,842
Assets held for sale	6,433	3,628
Other order advances given	2,149	2,765
Other	13,079	9,151
	117,984	**108,980**
Other current liabilities		
Advances received	71,620	61,076
Accruals for customer premiums	47,781	62,873
Accruals for license fee expenses	20,028	15,228
Accruals for sales and marketing expenses	19,347	18,121
Accruals for advertising expenses	11,100	6,383
Accruals for bonuses and premiums	6,474	1,258
Liabilities attributable to the acquisition	1,669	1,817
Other	1,889	2,532
	179,908	**169,288**
Other non-current liabilities		
Liabilities attributable to the acquisition	1,596	3,557
Other	2,302	2,944
	3,898	**6,501**

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

NOTE 22 - EQUITY

Paid-in capital

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

	2010	**2009**
Limit on registered share capital	1,500,000	1,500,000
Issued share capital in nominal value	675,728	675,728

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

The shareholding structure of the Company is as follows:

	December 31, 2010		**December 31,2009**	
	Share %	**Amount**	**Share %**	**Amount**
Shareholders				
Koç Holding A.Ş.	40.51	273,742	40.51	273,742
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A,Ş,	12.05	81,428	12.05	81,428
Koç Family Members	8.67	58,591	8.67	58,591
Burla Ticaret ve Yatırım A,Ş,	5.56	37,572	7.48	50,572
Koç Holding Emekli ve Yardım Sandığı Vakfı	5.14	34,722	5.14	34,722
Other	28.07	189,673	26.15	176,673
Paid-in capital	**100.00**	**675,728**	**100.00**	**675,728**
Adjustment to share capital (*)		468,811		468,811
Total share capital		**1,144,539**		**1,144,539**

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

Contribution to shareholders' equity related to the merger

It is related to merger with Grundig Elektronik A.Ş dated June 30, 2009 (Note 3).

(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:

	2010	2009
Financial assets fair value reserve	487,711	237,989
Non-current assets fair value reserve	33,724	45,569
Foreign currency hedge of net investments in foreign operations	(9,737)	-
Commodity hedge fund	271	-
Revaluation fund total	**511,969**	**283,558**

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

Restricted reserves

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

The details of these restricted reserves are as follows:

	2010	2009
Legal reserves	164,281	157,660
Contribution to shareholders equity due to merger	4,040	4,040
Special reserves	124	124
	168,445	**161,824**

The Company paid a cash dividend at the rate of 14.8%, which corresponds to full TRY0.14799 gross and net cash dividend for the shares with a nominal value of full TRY1.00 to institutional shareholders who are full taxpayers or limited liable taxpayers and obtain dividends through a business or permanent representative in Turkey. The Company paid also a cash dividend at the rate of 14.8%, which corresponds to full TRY0.14799 gross and full TRY0.13459 net cash dividend for the shares with a nominal value of full TRY1.00 to other shareholders.

NOTE 22 - EQUITY (Continued)

Retained earnings

In accordance with the CMB regulations effective until 1 January 2008, “Capital, Share Premiums, Legal Reserves, Special Reserves and Extraordinary Reserves” were recorded at their statutory carrying amounts and the inflation adjustment differences related to such accounts were recorded under “inflation adjustment differences” at the initial application of inflation accounting. “Equity inflation adjustment differences” could have been utilised in issuing bonus shares and offsetting accumulated losses, carrying amount of extraordinary reserves could have been utilised in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

In accordance with Communiqué No. XI-29 and related announcements of the CMB, effective from 1 January 2008, “Share Capital”, “Restricted Reserves” and “Share Premiums” shall be carried at their statutory amounts. The valuation differences shall be classified as follows:

- the difference arising from the “Paid-in capital” and not been transferred to capital yet, shall be classified under the “Inflation adjustment to share capital”;

- the difference due to the inflation adjustment of “Restricted reserves” and “Share premium” and the amount that has not been utilised in dividend distribution or capital increase yet, shall be classified under “Retained earnings”.

Dividend distribution

Listed companies are subject to dividend requirements regulated by CMB as follows:

In accordance with the CMB Decision No. 02/51 and dated January 27, 2010, concerning allocation basis of profit from operations of 2009, minimum profit distribution will not be applied for the listed companies for the year 2009. According to the Board’s decision and Communiqué No. IV-27 issued by the CMB regarding the allocation basis of profit of publicly owned companies, the distribution of the relevant amount may be realised as cash or as bonus shares or partly as cash and bonus shares; and in the event that the first dividend amount to be specified is less than 5% of the paid-up capital, the relevant amount can be retained within the Company.

In addition, according to the aforementioned Board decision, companies which are required to prepare consolidated financial statements are allowed to calculate, the distributable profit based on the net income declared at the publicly announced consolidated financial statements in the accordance with Communiqué XI No. 29, as long as the amount can be met from the resources in their statutory books.

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

NOTE 22 - EQUITY (Continued)

Accordingly, if the amount of dividend distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit, the total amount of distributable profit shall be distributed. If it exceeds the statutory net distributable profit, the total amount of the statutory net distributable profit shall be distributed. It is stated that dividend distributions should not be made if there is a loss in either the consolidated financial statements prepared in accordance with CMB regulations or in the statutory financial statements.

The remainder of current year income less prior year losses and other reserves of the Company that can be subject to the dividend distribution in statutory records is TRY855,740 (2009-TRY657,705)

NOTE 23 - SALES AND COST OF SALES

	2010	**2009**
Domestic sales	3,547,277	3,381,590
Foreign sales	3,841,715	3,723,538
Gross sales	**7,388,992**	**7,105,128**
Less: Discounts	(452,572)	(513,233)
Net sales	**6,936,420**	**6,591,895**
Cost of sales	(4,868,473)	(4,417,892)
Gross profit	**2,067,947**	**2,174,003**

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

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

	2010	2009
Marketing, selling and distribution expenses:		
Warranty and assembly expenses	316,379	346,652
Transportation, distribution and storage expenses	308,721	316,539
Advertising and promotion expenses	218,486	189,762
Personnel expenses	176,700	165,786
License expenses	9,471	6,557
Depreciation and amortisation expenses	8,739	10,732
Energy expenses	5,633	5,071
Other	117,360	138,259
	1,161,489	**1,179,358**
General administrative expenses:		
Personnel expenses	141,452	111,268
Insurance expenses	21,949	25,590
Depreciation and amortisation expenses	18,418	18,549
Communication expenses	10,905	10,709
Legal consultancy and audit expenses	10,322	13,746
Donations	9,476	1,375
Rent expenses	7,896	13,652
Duties, taxes and levies	7,304	5,393
Repair and maintenance expense	4,061	4,047
Energy expenses	3,381	3,751
Other	45,199	43,892
	280,363	**251,972**
Research and development expenses:		
Depreciation and amortisation expenses	32,599	25,212
Personnel expenses	14,044	14,753
Energy expenses	921	558
Other	12,956	7,957
	60,520	**48,480**

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

NOTE 25 - EXPENSES BY NATURE

	2010	**2009**
Raw materials, supplies and trade goods	4,254,118	3,617,927
Changes in finished goods, work in process and trade goods	(14,298)	242,976
Personnel expenses	706,386	577,351
Transportation, distribution and storage expenses	320,577	331,584
Warranty and assembly expenses	316,379	346,652
Advertising and promotion expenses	218,486	190,031
Depreciation and amortisation expenses	192,538	181,553
Energy expenses	59,327	55,391
Repair and maintenance expenses	43,908	38,872
License expenses	10,937	9,381
Other	262,487	305,984
	6,370,845	**5,897,702**

NOTE 26 - OTHER INCOME AND EXPENSES

	2010	**2009**
Other operating income		
Income from claims and grants	44,847	17,823
Income from sales of property, plant and equipment (*)	42,431	2,080
Reversals of provisions	10,198	10,978
Reversal of provisions for doubtful receivables	8,306	3,855
Income from sale of financial asset	-	128,032
Other	24,634	22,198
	130,416	**184,966**

Other operating expenses		
Provision expense for doubtful receivables	(19,882)	(19,618)
Provision expense for impairment on inventories	(5,909)	(73,871)
Loss from sales of property, plant and equipment	(5,121)	(4,850)
Restructuring expenses	(1,075)	(3,918)
Other provision expenses	(1,064)	(4,678)
Insurance payments	(595)	(2,726)
Other	(24,695)	(20,652)
	(58,341)	**(130,313)**

(*) In the year ending December 31, 2010, the Group realized gain on sales of factory land, buildings and annexes located in Topkapı, Istanbul to Koç University amounting to TRY40,055 (Note 31).

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

NOTE 27 - FINANCIAL INCOME

	2010	**2009**
Foreign exchange gains	124,310	238,900
Credit finance income	90,064	101,257
Interest income	39,080	36,100
Gains on derivative financial instruments	33,248	23,260
Other	344	2,607
	287,046	**402,124**

NOTE 28 - FINANCIAL EXPENSES

	2010	**2009**
Foreign exchange losses	(120,302)	(245,708)
Interest expenses	(101,071)	(282,688)
Credit finance charges	(25,424)	(7,608)
Losses on derivative financial instruments	(15,191)	(22,408)
Cash discounts expenses	(13,600)	(16,562)
Other	(4,377)	(5,120)
	(279,965)	**(580,094)**

NOTE 29 - TAX ASSETS AND LIABILITIES

	2010	**2009**
Corporation and income taxes	82,688	45,961
Less: prepaid tax	(63,718)	(31,605)
Income tax liabilities (net)	**18,970**	**14,356**
Deferred tax assets	39,244	41,509
Deferred tax liabilities	(128,549)	(95,201)
Deferred tax liabilities, (net)	**(89,305)**	**(53,692)**

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

The corporation tax rate is 20% in Turkey (31 December 2009: 20%). Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, exempt income and allowances.

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

NOTE 29 - TAX ASSETS AND LIABILITIES (Continued)

The taxes on income for the years 2010 and 2009 are summarised as follows:

	2010	**2009**
Tax expenses		
- Current period tax expense	(83,492)	(45,910)
- Deferred tax expense	(23,899)	(27,507)
Tax expenses (net)	**(107,391)**	**(73,417)**

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

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

	Cumulative temporary differences		**Deferred tax assets/(liabilities)**	
	2010	**2009**	**2010**	**2009**
Property, plant and equipment and intangible assets	755,046	705,615	(158,277)	(147,445)
Available-for-sale investments	513,381	250,516	(25,669)	(12,526)
Derivative financial instruments	946	3,755	(189)	(751)
Provision for warranty and assembly expenses	(146,672)	(145,926)	29,014	28,867
Provision for employment termination benefits	(96,635)	(83,092)	19,327	16,618
Unused tax credits	(91,109)	(172,610)	18,223	34,969
Provision for impairment on inventories	(64,941)	(68,099)	12,996	13,587
Accrual for licenses expenses	(20,028)	(15,228)	4,006	3,046
Unearned credit finance income	(15,302)	(15,207)	3,032	2,281
Provision for doubtful receivables	(6,796)	(976)	1,215	195
Others	(31,271)	(29,774)	7,017	7,467
Deferred tax liabilities (net)			**(89,305)**	**(53,692)**

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

NOTE 29 - TAX ASSETS AND LIABILITIES (Continued)

	2010	**2009**
As of January 1	**(53,692)**	**(25,593)**
Tax expense recognized in income statement	(23,899)	(27,507)
Tax expense recognized in other comprehensive income	(11,714)	(592)
As of December 31	**(89,305)**	**(53,692)**

As a result of the Group management's evaluation, Group has estimated the tax discounts to be used until the expiration date as TRY91,109 (December 31, 2009: TRY172,610) and accounted a deferred tax asset of TRY18,223 (December 31, 2009: TRY34,969)

Group's total deductible loss and tax advantages of which deferred tax assets has not been calculated are TRY293,108. Maturity analysis of this amount is as follows:

	2010
2011	19,873
2012	25,055
2013	20,598
2014	30,958
2015 and after	196,624
	293,108

Reconciliation between tax expenses for the periods ended December 31, 2010 and 2009 and calculated tax expense using corporate tax rate in Turkey (20%) is as follows:

	2010	**2009**
Profit before tax	656,638	576,443
Tax calculated using 20% local tax rate	**(131,328)**	**(115,288)**
Exemptions	40,208	41,708
Effect of unused tax losses for which no deferred tax asset was recognized	(8,494)	(2,794)
Expenses not deductable for tax purposes	(12,661)	(11,403)
Impact of different tax rates in other countries	(6,059)	1,554
Adjustments with no tax effects	6,472	(8,903)
Utilisation of previously unrecognized tax losses	4,338	20,746
Other	133	963
Taxation expense recognized in income statement	**(107,391)**	**(73,417)**
Effective tax rate	**16.4%**	**12.7%**

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

NOTE 30 - EARNINGS PER SHARE

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

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

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

	2010	**2009**
Net income attributable to the equity holders of the parent	517,093	485,410
Weighted average number of ordinary shares with nominal value Kr1 each	67,572,820,500	55,998,615,068
Earnings per share (Kr)	**0.7652**	**0.8668**
Dividends distributed to the equity holders of the parent	100,000	-
Gross dividend distributed per share	**0.1480**	**-**

NOTE 31 - RELATED PARTY DISCLOSURES

(i) Related party balances

	2010	**2009**
(a) Due from related parties		
Group companies (*)	10,261	11,699
Associates	12,599	14,518
Shareholders	49	-
	22,869	**26,217**

(b) Due to related parties

Short-term

Group companies (*)	70,057	59,707
Associates	115,946	51,722
Shareholders	-	-
	186,003	**111,429**

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

NOTE 31 - RELATED PARTY DISCLOSURES (Continued)

	2010	2009
Long-term		
Group companies (*)	63,681	67,380
	63,681	**67,380**

(c) Deposits

Group companies (*)	473,926	54,962
	473,926	**54,962**

(d) Bank borrowings

Group companies (*)	259,851	65,558
	259,851	**65,558**

e) Derivative financial instruments

December 31, 2010	**Contract amount**	**Fair value assets/(liabilities)**	
Group companies (*)	119,452	270	(32)
	119,452	**270**	**(32)**

December 31, 2009	**Contract amount**	**Fair value assets/(liabilities)**	
Group companies (*)	296,620	974	(573)
	296,620	**974**	**(573)**

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

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

(ii) Transactions with related parties

	2010	2009
(a) Sales of goods and services		
Group companies (*)	212,544	167,708
Associates	31,155	27,263
Shareholders	328	-
	244,027	**194,971**

(b) Purchases of goods and services

	2010	2009
Group companies (*)	503,225	219,884
Associates	332,298	311,867
Shareholders	9,447	9,454
	844,970	**541,205**

(c) Sale of available for sale investments

In 2010, there is no sale of available for sale investments. Available for sale investment amounting to TRY 201,615 has been sold to Koç Holding in 2009.

(d) Key management compensation

Total compensation provided to key management personnel by the Company during the year ended December 31, 2010 amounts to TRY 32,207 (December 31,2009: TRY11,298).

(e) Other transactions

	2010	2009
Income from sale of property, plant, and equipment	40,055	-
Interest expenses	5,064	13,733
Interest income	7,956	3,012

(*) Group companies include Koç Group companies.

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Hedging operations and derivative financial instruments

Liquidity Risk

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

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

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

The analysis of the Group's financial liabilities with respect to their maturities as of December 31, 2010 is as follows:

Total liabilities (non-derivative):	**Carrying value**	**Contractual Cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year 5 years**	**More than 5 years**
Financial liabilities	2,057,292	2,183,694	554,980	345,562	1,283,152	-
Trade payables	1,032,643	1,053,686	927,094	46,664	35,867	44,061
Other payables	48,508	48,508	43,938	4,570	-	-
Other liabilities	183,806	183,806	168,332	11,576	3,898	-
	3,322,249	**3,469,694**	**1,694,344**	**408,372**	**1,322,917**	**44,061**

Derivative financial instruments (*)	**Carrying value**	**Contractual Cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year 5 years**	**More than 5 years**
Derivative cash inflows		146,434	146,434	-	-	-
Derivative cash outflows		(145,488)	(145,488)	-	-	-
Derivative instruments, net	**946**	**946**	**946**	**-**	**-**	**-**

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

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

Group's maturity analysis of financial liabilities as of December 31, 2009 is as follows:

Total liabilities (non-derivative):	**Carrying value**	**Contractual Cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year 5 years**	**More than 5 years**
Financial liabilities	2,112,041	2,167,481	645,263	1,330,445	191,773	-
Trade payables	829,782	854,290	703,280	64,432	34,932	51,646
Other payables	33,984	33,984	28,368	5,616	-	-
Other liabilities	175,789	175,789	160,054	9,253	6,482	-
	3,151,596	**3,231,544**	**1,536,965**	**1,409,746**	**233,187**	**51,646**

Derivative financial instruments (*)	**Carrying value**	**Contractual Cash-flows**	**Up to 3 months**	**3 months-12 months**	**1 year 5 years**	**More than 5 years**
Derivative cash inflows		258,416	258,416	-	-	-
Derivative cash outflows		(254,670)	(254,670)	-	-	-
Derivative instruments, net	**3,746**	**3,746**	**3,746**	**-**	**-**	**-**

(*) Undiscounted contractual cash flows.

Interest Rate Risk

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

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

Average effective annual interest rates of balance sheet items as of December 31, 2010 and 2009 are as follows:

December 31, 2010 (%)	**TRY**	**EUR**	**USD**	**GBP**	**RON**	**RUB**	**CNY**
Current assets							
Cash and cash equivalents	9.04	1.58	3.13	0.31	2.64	2.21	1.05
Trade receivables	20.40	0.82	0.82	5.00	-	-	-
Current liabilities							
Financial liabilities	-	1.80	0.98	-	3.55	7.25	4.48
Trade payables	6.32	0.48	0.48	3.10	-	-	-
Non-current liabilities							
Financial liabilities	8.30	2.69	2.25	2.93	-	6.26	-

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

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

December 31, 2009 (%)	TRY	EUR	USD	GBP	RON	RUB	CNY
Current assets							
Cash and cash equivalents	9.70	0.28	0.54	0.19	7.45	3.00	1.63
Trade receivables	20.40	0.60	0.30	5.00	-	-	-
Current liabilities							
Financial liabilities	-	0.42	-	-	-	10.98	-
Trade payables	6.30	0.50	0.20	3.10	-	-	-
Non-current liabilities							
Financial liabilities	8.84	2.18	5.97	-	-	-	-

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

	2010	2009
Financial instruments with fixed interest rates		
Time deposits	815,695	476,836
Financial liabilities	444,934	104,825
Financial instruments with variable interest rates		
Time deposits	418,102	344,402
Financial liabilities	1,641,904	2,006,318

At December 31, 2010, if interest rates of TRY, EUR and USD denominated financial assets and liabilities with variable interest rates has strengthened/weakened by 100 base point with all other variables held constant, income before taxes and non-controlling interest would have been TRY12,238 (2009: TRY16,619) lower/ higher as a result of interest expenses.

Funding risk

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

Commodity Price risk

The Group regularly purchases raw materials to be used in production activities. Price risks related to the raw material purchases are hedged primarily by the use of contracts with the suppliers and when deemed necessary by the use of derivative financial instruments contracts. Use of such contracts, designed in line with the Group risk policies, aims to reduce the volatility in cash outflows in the forecasted raw material purchases due to commodity price risk fluctuations in the market.

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

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

Credit risk

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

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

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

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

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

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

Details of credit and receivable risk as of December 31, 2010 and 2009 are as follows:

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

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

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

	Trade receivables			
December 31, 2009	**Related party**	**Third party**	**Deposits in banks**	**Derivative financial instruments**
Maximum exposed credit risk as of reporting date [1]	**26,217**	**2,211,048**	**866,044**	**4,444**
Secured portion of the maximum credit risk by guarantees, etc,	-	(1,492,859)	-	-
A. Net book value of financial asset either are not due or not impaired	26,217	1,952,229	866,044	4,444
-Secured portion by guarantees, etc	-	(1,286,628)	-	-
B. Financial assets with renegotiated conditions	-	99,564	-	-
-Secured portion by guarantees, etc,	-	(99,564)	-	-
C. Net book value of the overdue but not impaired financial assets	-	121,477	-	-
-Secured portion by guarantees, etc,	-	(73,139)	-	-
D. Net book value of the impaired assets	-	37,778	-	-
-Overdue (Gross book value)	-	143,630	-	-
-Not overdue	-	1,460	-	-
-Impairment (-)	-	(107,312)	-	-
-Secured portion of the net value by guarantees, etc.	-	(33,528)	-	-

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

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

	2010	2009
Group 1	10,045	9,284
Group 2	1,940,405	1,905,978
Group 3	192,706	162,748
	2,143,156	**2,078,010**

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

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

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

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

	2010	2009
0-1 month	74,712	42,267
1-3 months	27,378	23,133
3-12 months	29,305	43,949
1-5 years	17,161	12,128
	148,556	**121,477**

c) Geographical concentration of the trade receivables

	2010	2009
Turkey	1,384,018	1,371,208
Europe	711,907	648,289
Other	241,114	217,768
	2,337,039	**2,237,265**

Foreign exchange risk

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

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

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

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

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (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 currency translation difference reserve in order to net off the foreign currency difference arisen from the translation of the net assets of investments in foreign operations. As of December 31, 2010, a portion of bank borrowings in Euro amounting to EUR 87,500,000 (before tax) was designated as a net investment hedging instrument (December 31, 2009 – nil).

Foreign currency position

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

	2010	**2009**
Assets	1,362,205	1,098,051
Liabilities	(1,586,420)	(986,664)
Net balance sheet position	**(224,215)**	**111,387**
Net position of off-balance sheet derivative financial instruments	131,932	(107,666)
Net foreign currency position	**(92,283)**	**3,721**

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

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

	EUR	USD	GBP	RUB	PLN	RON	AED	TL Equivalent
Current assets								
Trade receivables	307,380	94,216	90,032	990,326	30,984	1,414	3,956	1,058,679
Monetary financial assets	41,075	64,955	1	30	410	6	-	184,806
Other	26,994	40,678	27	-	879	-	-	118,720
Total assets	**375,449**	**199,849**	**90,060**	**990,356**	**32,273**	**1,420**	**3,956**	**1,362,205**
Current liabilities								
Trade payables	113,980	97,786	150	-	-	-	-	385,091
Financial liabilities	191,390	312	191	-	-	-	-	393,115
Other monetary financial liabilities	9,120	2,915	699	-	-	-	-	24,865
Non-current liabilities								
Trade payables	-	41,191	-	-	-	-	-	63,681
Financial liabilities	216,701	100,000	50,000	-	-	-	-	718,072
Other monetary financial liabilities	-	-	668	-	-	-	-	1,596
Total liabilities	**531,191**	**242,204**	**51,708**	**-**	**-**	**-**	**-**	**1,586,420**
Net balance sheet position	**(155,742)**	**(42,355)**	**38,352**	**990,356**	**32,273**	**1,420**	**3,956**	**(224,215)**
Off-balance sheet derivative financial assets (*)	115,827	15,374	-	14,200	5,200	-	-	264,513
Off-balance sheet derivative financial liabilities	(1,657)	-	(35,000)	(650,000)	(25,000)	-	-	(132,581)
Net position of off-balance sheet items	114,170	15,374	(35,000)	(635,800)	(19,800)	-	-	131,932
Net foreign currency asset/ (liability) position	**(41,572)**	**(26,981)**	**3,352**	**354,556**	**12,473**	**1,420**	**3,956**	**(92,283)**

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

	EUR	USD	GBP	RUB	PLN	RON	AED	TL Equivalent
Against TRY	(24,361)	(14,304)	(943)	354,556	11,182	1,420	3,956	(48,345)
Against EUR	-	398	-	-	1,291	-	-	1,283
Against RUB	(37)	(6,848)	-	-	-	-	-	(10,663)
Against PLN	(1,528)	(30)	-	-	-	-	-	(3,177)
Against GBP	3,622	-	-	-	-	-	-	7,422
Against other currencies	(19,268)	(6,197)	4,295	-	-	-	-	(38,803)
Net foreign currency position	**(41,572)**	**(26,981)**	**3,352**	**354,556**	**12,473**	**1,420**	**3,956**	**(92,283)**

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

(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, 2009 are as follows:

	EUR	USD	GBP	RUB	PLN	TRY Equivalent
Current assets						
Trade receivables	262,938	102,843	94,593	326,590	29,078	980,257
Monetary financial assets	10,904	3,188	3,167	-	11,070	41,678
Other	15,257	28,616	29	-	-	76,116
Total assets	**289,099**	**134,647**	**97,789**	**326,590**	**40,148**	**1,098,051**
Current liabilities						
Trade payables	76,629	73,911	876	2,419	-	279,043
Financial liabilities	155,081	26,522	-	-	-	374,956
Other monetary financial liabilities	7,296	35,373	1,993	-	-	73,784
Non-current liabilities						
Trade payables	-	44,750	-	-	-	67,380
Financial liabilities	87,000	-	-	-	-	187,946
Other monetary financial liabilities	-	-	1,488	-	-	3,555
Total liabilities	**326,006**	**180,556**	**4,357**	**2,419**	**-**	**986,664**
Net balance sheet position	**(36,907)**	**(45,909)**	**93,432**	**324,171**	**40,148**	**111,387**
Off-balance sheet derivative financial assets	27,464	26,104	2,000	-	-	103,414
Off-balance sheet derivative financial liabilities	(15,000)	-	(68,000)	(100,000)	(21,600)	(211,080)
Net position of off-balance sheet items	12,464	26,104	(66,000)	(100,000)	(21,600)	(107,666)
Net foreign currency asset/ (liability) position	**(24,443)**	**(19,805)**	**27,432**	**224,171**	**18,548**	**3,721**

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

Against TRY	(8,898)	(11,276)	23,177	226,590	9,640	35,468
Against EUR	-	(1,402)	-	(2,419)	8,908	2,400
Against RUB	(45)	(6,004)	-	-	-	(9,137)
Against PLN	709	(272)	-	-	-	1,122
Against GBP	2,860	-	-	-	-	6,177
Against other currencies	(19,069)	(851)	4,255	-	-	(32,309)
Net foreign currency position	**(24,443)**	**(19,805)**	**27,432**	**224,171**	**18,548**	**3,721**

(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 is presented below:

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

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

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

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

As of December 31, 2009, sensitivity analysis of foreign exchange rates is presented below:

	Gain/Loss		**Equity**	
	Foreign exchange appreciation	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/-10% fluctuation of USD rate				
USD net asset/liability	(6,913)	6,913	(6,913)	6,913
Secured portion from USD risk (*)	3,930	(3,930)	3,930	(3,930)
USD net effect	**(2,983)**	**2,983**	**(2,983)**	**2,983**
+/-10% fluctuation of EUR rate				
EUR net asset/liability	(7,973)	7,973	(8,348)	8,348
Secured portion from EUR risk (*)	2,693	(2,693)	2,693	(2,693)
EUR net effect	**(5,280)**	**5,280**	**(5,655)**	**5,655**
+/-10% fluctuation of GBP rate				
GBP net asset/liability	22,323	(22,323)	29,802	(29,802)
Secured portion from GBP risk (*)	(15,769)	15,769	(15,769)	15,769
GBP net effect	**6,554**	**(6,554)**	**14,033**	**(14,033)**
+/-10% fluctuation of RUB rate				
RUB net asset/liability	1,614	(1,614)	15,241	(15,241)
Secured portion from RUB risk (*)	(498)	498	(498)	498
RUB net effect	**1,116**	**(1,116)**	**14,743**	**(14,743)**
+/-10% fluctuation of RON rate				
RON net asset/liability	-	-	18,088	(18,088)
Secured portion from RON risk (*)	-	-	-	-
RON net effect	**-**	**-**	**18,088**	**(18,088)**
+/-10% fluctuation of PLN rate				
PLN net asset/liability	2,087	(2,087)	3,454	(3,454)
Secured portion from PLN risk (*)	(1,123)	1,123	(1,123)	1,123
PLN net effect	**964**	**(964)**	**2,331**	**(2,331)**
	371	**(371)**	**40,557**	**(40,557)**

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

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

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

Import and exports performed to / from Turkey for the year ended as of December 31, 2010 and 2009 are as follows:

	December 31, 2010		December 31, 2009	
	Original amount	**TRY equivalent**	**Original amount**	**TRY equivalent**
EUR	800,371,489	1,588,198	721,569,045	1,555,679
USD	330,241,694	496,716	279,989,276	438,774
GBP	216,400,746	501,010	217,329,516	526,635
Other		126,341		53,125
Total exports		**2,712,265**		**2,574,213**
EUR	372,153,519	738,393	315,271,168	696,959
USD	675,378,575	1,012,140	515,410,141	817,619
GBP	604,818	1,400	482,939	1,209
Other		13,812		3,339
Total imports		**1,765,745**		**1,519,125**

Capital Risk Management

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

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

The gearing ratios at December 31, 2010 and 2009 are as follows:

	2010	**2009**
Total financial liabilities (Note 7)	2,057,292	2,112,041
Cash and cash equivalents (Note 5)	(1,317,166)	(904,734)
Net financial liabilities	740,126	1,207,307
Total shareholders' equity	3,407,734	2,743,503
Invested capital	4,147,860	3,950,810
Gearing ratio	**18%**	**31%**

Gearing ratio calculation, based on net liabilities by deducting cash and cash equivalents from total liabilities in previous years, is updated as based on net financial liabilities by deducting cash and cash equivalents from total financial liabilities by considering that updated ratio provides more reliable information about the Group's debt ratio.

NOTE 33 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

Financial Assets

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

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

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

Financial Liabilities

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

The carrying value and the fair value of the long-term borrowings, including the short term portions, are equal to TRY1,457,740 (2009: TRY1,788,744) (Note 7) and TRY1,461,635 (2009: TRY1,788,739), respectively.

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

NOTE 33 - FINANCIAL INSTRUMENTS

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy table as at December 31,2010 is as follows:

Financial assets at fair value through profit or loss:	**Level 1**	**Level 2**	**Level 3**
Derivative financial assets	-	1,185	
Financial assets	-	658,679	-
Financial liabilities at fair value through profit or loss:			
Derivative financial liabilities	-	239	-

Fair value hierarchy table as at December 31, 2009 is as follows:

Financial assets at fair value through profit or loss:	**Level 1**	**Level 2**	**Level 3**
Derivative financial assets	-	4,444	-
Financial assets		395,814	-
Financial liabilities at fair value through profit or loss:			
Derivative financial liabilities	-	698	-

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

NOTE 34 - SUPPLEMENTARY CASH FLOW INFORMATION

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

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

	2010	2009
Changes in provisions:		
Provision for doubtful receivables	19,882	19,618
Provision for employment termination benefits	14,365	25,118
Provision for impairment on inventories	5,909	73,871
Accrual for bonuses and premiums	5,216	689
Assembly and transportation provision	3,841	(5,619)
Accrual for sales and marketing expenses	1,226	289
Warranty provision	427	22,774
Accrual for customer premiums	(15,093)	3,186
Provision for impairment	-	2,777
	35,773	**142,703**
Change in operating assets and liabilities:		
Trade payables and due to related parties	202,861	120,928
Other current assets and liabilities	15,765	70,826
Other non-current liabilities	(3,254)	(2,978)
Inventories	(86,649)	323,274
Trade receivables and due from related parties	(119,656)	327,676
Financial assets	-	3,261
	9,067	**842,987**
