(Convenience translation of the independent auditor's limited review report and condensed interim consolidated financial statements originally issued in Turkish-see Note 2.5)

# Arçelik Anonim Şirketi

## January 1 – June 30, 2010 condensed interim consolidated financial statements together with independent auditor's review report

ERNST & YOUNG

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**(Convenience translation of the independent auditor's review report originally issued in Turkish – see additional paragraph in Note 2.5)**

**Review report on the condensed interim consolidated financial statements for the period January 1 – June 30, 2010**

To the Board of Directors of Arçelik Anonim Şirketi:

We have reviewed the accompanying condensed consolidated balance sheet of Arçelik Anonim Şirketi ("the Company") and its subsidiaries (collectively referred to as "the Group") as of June 30, 2010 and related condensed statement of consolidated income, consolidated statement of comprehensive income, consolidated statement of changes in shareholder's equity and consolidated statement of cash flow for the six-months period then ended, and a summary of significant accounting policies and other explanatory notes. The Company management is responsible for the preparation and presentation of those condensed interim consolidated financial statements in accordance with financial reporting standards issued by Capital Market Board. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

**Scope of Review**

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

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements do not present fairly, in all material respects, in accordance with financial reporting standards issued by Capital Market Board.

**Other matter**

The consolidated financial statements of Arçelik A.Ş. and its subsidiaries prepared in accordance with financial reporting standards issued by Capital Market Board as of December 31, 2009, were audited by another audit firm whose independent auditor's report thereon dated February 17, 2010 expressed an unqualified opinion. The condensed consolidated financial statements of the Group prepared in accordance with financial reporting standards issued by Capital Market Board as of June 30, 2009, were reviewed by the same audit firm whose independent auditor's review report thereon dated July 30, 2009 expressed that nothing had come to their attention that caused them to believe that the interim consolidated financial statements were not presented fairly, in all material respects, in accordance with financial reporting standards issued by Capital Market Board.

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

Ertan Ayhan, SMMM
Engagement Partner

August 2, 2010
Istanbul, Turkey

**ARÇELİK ANONİM ŞİRKETİ**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2010**

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**ARÇELİK ANONİM ŞİRKETİ**

**CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS**
**AS OF JUNE 30, 2010 AND DECEMBER 31, 2009**
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

| | Notes | Reviewed June 30, 2010 | Audited December 31, 2009 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets:** | | | |
| Cash and cash equivalents | 5 | 1,007,617 | 904,734 |
| Derivative financial instruments | 8 | 267 | 4,444 |
| Trade receivables | 9 | 2,432,722 | 2,233,011 |
| Inventories | 10 | 980,501 | 906,786 |
| Other current assets | 17 | 90,114 | 108,980 |
| **Total current assets** | | **4,511,221** | **4,157,955** |
| **Non-current assets:** | | | |
| Trade receivables | 9 | 7,991 | 4,254 |
| Financial investments | 6 | 527,246 | 395,814 |
| Associates | 11 | 129,814 | 129,169 |
| Investment properties | 12 | 5,185 | 6,344 |
| Property, plant and equipment | 13 | 1,188,818 | 1,244,109 |
| Intangible assets | 14 | 432,258 | 439,993 |
| Goodwill | | 7,054 | 7,511 |
| Deferred tax assets | 22 | 41,048 | 41,509 |
| **Total non-current assets** | | **2,339,414** | **2,268,703** |
| **Total assets** | | **6,850,635** | **6,426,658** |

These condensed interim consolidated financial statements as at and for the period ended June 30, 2010, have been approved for issue by the Board of Directors on August 2, 2010 and signed on its behalf by Fatih Kemal Ebiçlioğlu, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director.

## ARÇELİK ANONİM ŞİRKETİ

## CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS
## AS OF JUNE 30, 2010 AND DECEMBER 31, 2009

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

| | Notes | Reviewed June 30, 2010 | Audited December 31, 2009 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Current liabilities:** | | | |
| Financial liabilities | 7 | 1,084,819 | 1,923,727 |
| Derivative financial instruments | 8 | 1,635 | 698 |
| Trade payables | 9 | 858,608 | 762,402 |
| Other payables | | 94,485 | 104,533 |
| Current income tax liabilities | 22 | 28,883 | 14,356 |
| Provisions | 16 | 203,157 | 204,659 |
| Other non-current liabilities | 17 | 190,699 | 169,288 |
| **Total current liabilities** | | **2,462,286** | **3,179,663** |
| **Non-current liabilities:** | | | |
| Financial liabilities | 7 | 1,067,052 | 188,314 |
| Trade payables | 9 | 67,700 | 67,380 |
| Provisions for employment termination benefits | | 91,362 | 85,335 |
| Deferred tax liabilities | 22 | 97,910 | 95,201 |
| Provisions | 16 | 57,820 | 60,761 |
| Other non-current liabilities | 17 | 4,059 | 6,501 |
| **Total non-current liabilities** | | **1,385,903** | **503,492** |
| **Total liabilities** | | **3,848,189** | **3,683,155** |
| **EQUITY** | | | |
| Paid-in capital | 18 | 675,728 | 675,728 |
| Adjustment to share capital | 18 | 468,811 | 468,811 |
| Share premium | | 889 | 889 |
| Revaluation fund | 18 | 387,606 | 283,558 |
| Currency translation differences | | 5,826 | 35,137 |
| Restricted reserves | 18 | 168,445 | 161,824 |
| Contribution to shareholders' equity related to merger | 18 | 14,507 | 14,507 |
| Retained earnings | | 953,790 | 574,257 |
| Net income for the period | | 270,473 | 485,410 |
| **Attributable to** | | | |
| Equity holders of the parent | | 2,946,075 | 2,700,121 |
| Non-controlling interest | | 56,371 | 43,382 |
| **Total equity** | | **3,002,446** | **2,743,503** |
| **Total liabilities and equity** | | **6,850,635** | **6,426,658** |
| Commitments, contingent assets and liabilities | 15 | | |

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

## ARÇELİK ANONİM ŞİRKETİ

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

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

| | | Reviewed | | | |
|---|---|---|---|---|---|
| | Notes | January 1- June 30 2010 | January 1- June 30 2009 | April 1- June 30 2010 | April 1- June 30 2009 |
| Net sales | 4 | 3,253,781 | 3,087,505 | 1,766,858 | 1,753,659 |
| Cost of sales | | (2,250,795) | (2,141,698) | (1,247,350) | (1,159,009) |
| **Gross profit** | | **1,002,986** | **945,807** | **519,508** | **594,650** |
| Marketing, selling and distribution expenses | | (514,291) | (525,530) | (268,045) | (296,867) |
| General administrative expenses | | (170,318) | (161,961) | (90,175) | (87,039) |
| Research and development expenses | | (27,159) | (19,467) | (17,784) | (7,613) |
| Other income | 19 | 70,405 | 144,353 | 58,272 | 17,233 |
| Other expenses | 19 | (20,819) | (16,121) | (12,428) | (7,928) |
| **Operating profit** | | **340,804** | **367,081** | **189,348** | **212,436** |
| Income from associates (net) | 11 | 5,117 | 5,731 | 4,762 | 4,614 |
| Financial income | 20 | 164,908 | 294,902 | 90,567 | 134,109 |
| Financial expenses | 21 | (167,600) | (436,855) | (86,161) | (165,199) |
| **Income before tax** | | **343,229** | **230,859** | **198,516** | **185,960** |
| **Income tax** | | | | | |
| - Taxes on income | 22 | (57,186) | (11,969) | (28,219) | (8,631) |
| - Deferred tax income/expense | 22 | (1,037) | 38,764 | (2,037) | 29,029 |
| **Net income** | | **285,006** | **257,654** | **168,260** | **206,358** |
| **Attributable to:** | | | | | |
| Non-controlling interest | | 14,533 | 30 | 7,432 | 2,173 |
| **Equity holders of the parent** | | **270,473** | **257,624** | **160,828** | **204,185** |
| **Earnings per share (Kr)** | 23 | **0.400** | **0.551** | **0.238** | **0.480** |

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

## ARÇELİK ANONİM ŞİRKETİ

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

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

| | Reviewed | | | |
|---|---|---|---|---|
| | **January 1- June 30 2010** | **January 1- June 30 2009** | **April 1- June 30 2010** | **April 1- June 30 2009** |
| **Net income for the period** | **285,006** | **257,654** | **168,260** | **206,358** |
| **Other comprehensive income/ (loss):** | | | | |
| Fair value gains/losses on tangible and intangible assets(net) | 687 | 196 | 593 | 95 |
| Fair value gains/losses on financial assets (net) | 124,860 | 30,752 | 124,860 | 30,752 |
| Financial hedge fund | (1,331) | - | (1,331) | |
| Currency translation differences | (50,279) | (8,384) | (41,699) | (14,882) |
| **Reclassification entries:** | | | | |
| Financial assets revaluation fund (net) | - | (110,486) | - | (110,486) |
| **Other comprehensive income/ (loss) (after tax)** | **73,937** | **(87,922)** | **82,423** | **(94,521)** |
| **Total comprehensive income** | **358,943** | **169,732** | **250,683** | **111,837** |
| **Total comprehensive income** | | | | |
| Non-controlling interest | 13,046 | 531 | 7,727 | 816 |
| Equity holders of the parent | 345,897 | 169,201 | 242,956 | 111,021 |

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

## ARÇELİK ANONİM ŞİRKETİ

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

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

| | Paid-in capital | Adjustment to share capital | Share premium | Revaluation funds | Currency translation differences | Restricted reserves | Contribution to shareholders' equity due to merger | Retained earnings | Net income for the period | Equity holders of the parent | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **As of January 1, 2009** | **399,960** | **468,811** | **96** | **287,902** | **40,800** | **157,784** | **-** | **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) | - | - | - |
| Transfer from non-controlling interest to shareholder's equity due to merger with the subsidiary | 15,794 | - | - | - | - | - | 18,547 | - | - | 34,341 | (34,341) | - |
| Share premium | - | - | 793 | - | - | - | - | - | - | 793 | - | 793 |
| Dividends paid | - | - | - | - | | - | - | - | - | - | (187) | (187) |
| Total comprehensive income/(loss) | - | - | - | (80,339) | (8,852) | - | - | 768 | 257,624 | 169,201 | 531 | 169,732 |
| **As of June 30, 2009** | **675,728** | **468,811** | **889** | **207,563** | **31,948** | **157,784** | **18,547** | **573,480** | **257,624** | **2,392,374** | **29,268** | **2,421,642** |
| | | | | | | | | | | | | |
| **As of January 1, 2010** | **675,728** | **468,811** | **889** | **283,558** | **35,137** | **161,824** | **14,507** | **574,257** | **485,410** | **2,700,121** | **43,382** | **2,743,503** |
| Transfers | - | - | - | - | - | - | - | 485,410 | (485,410) | - | - | - |
| Purchase of additional shares in subsidiaries | - | - | - | - | - | - | - | 57 | - | 57 | (57) | - |
| Dividends paid | - | - | - | - | - | 6,621 | - | (106,621) | - | (100,000) | - | (100,000) |
| Total comprehensive income/(loss) | - | - | - | 104,048 | (29,311) | - | - | 687 | 270,473 | 345,897 | 13,046 | 358,943 |
| **As of June 30, 2010** | **675,728** | **468,811** | **889** | **387,606** | **5,826** | **168,445** | **14,507** | **953,790** | **270,473** | **2,946,075** | **56,371** | **3,002,446** |

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

## ARÇELİK ANONİM ŞİRKETİ

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

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

| | | Reviewed | |
|---|---|---|---|
| | **Notes** | **June 30, 2010** | **June 30, 2009** |
| **Operating activities** | | | |
| **Income before tax** | | **343,229** | **230,859** |
| *Adjustments to reconcile net cash provided from operating activities to income before taxes:* | | | |
| Changes in provisions | 26 | 76,260 | 85,284 |
| Depreciation and amortisation | | 95,550 | 89,279 |
| Interest income | 20 | (19,826) | (15,928) |
| Interest expense | 21 | 56,883 | 202,885 |
| Income from associates (net) | 11 | (5,117) | (5,731) |
| Gain/losses on sales of tangible and intangible assets (net) | | (36,647) | 635 |
| Gain on sales of financial assets | | - | (116,302) |
| **Income from operating activities before changes in operating assets and liabilities** | | **510,332** | **470,981** |
| Net change in operating assets and liabilities | 26 | (220,464) | 444,682 |
| Income tax paid | | (16,819) | (4,877) |
| **Cash flows from operating activities** | | **273,049** | **910,786** |
| **Investing activities:** | | | |
| Cash provided from sales of tangible and intangible assets | | 24,613 | 2,664 |
| Acquisition of tangible and intangible assets | | (79,345) | (78,643) |
| Cash provided from sales of financial assets | | - | 250,000 |
| Dividend received | 11 | 4,472 | - |
| Currency translation differences (net) | | (22,679) | 3,530 |
| **Cash flows from investing activities** | | **(72,939)** | **177,551** |
| **Financing activities:** | | | |
| Increase/ decrease in bank borrowings (net) | | 41,340 | (1,046,672) |
| Interest paid | | (58,393) | (232,247) |
| Dividends paid | | (100,000) | (187) |
| Interest received | | 21,589 | 16,133 |
| Capital increase | | - | 249,975 |
| Share premium received | | - | 793 |
| **Cash flows from financing activities** | | **(95,464)** | **(1,012,205)** |
| **Net increase in cash and cash equivalents** | | **104,646** | **76,132** |
| **Cash and cash equivalents at January 1** | 5 | **900,133** | **414,005** |
| **Cash and cash equivalents at June 30** | 5 | **1,004,779** | **490,137** |

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

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

## NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

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

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

The Company is registered to the Capital Markets Board ("CMB") and its shares have been quoted on the Istanbul Stock Exchange ("ISE") since 1986. At June 30, 2010, the publicly quoted shares are 23.26% of the total shares. At June 30, 2010, the principal shareholders and their respective shareholdings in the Company are as follows (Note 18):

| | **%** |
|---|---|
| Koç Holding A.Ş. | 40.51 |
| Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A.Ş. | 12.05 |
| Koç Family | 8.67 |
| Burla Ticaret ve Yatırım A.Ş. | 7.48 |
| Koç Holding Emekli ve Yardım Sandığı Vakfı | 5.14 |
| Other | 26.15 |
| | **100.00** |

The average number of employees of the Group as of June 30, 2010 is 17,312 (December 31, 2009: 16,775).

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

| 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 |
| Elektra Bregenz AG ("Elektra Bregenz") | Austria | Sales | Consumer durables/Electronics |
| Fusion Digital Technology Ltd. ("Fusion Digital") (*) | UK | Technology | Electronics |
| Grundig Multimedia B.V. ("Grundig Multimedia") | Netherlands | Investment | Holding |
| Grundig Schweiz AG ("Grundig Switzerland")(*) | Switzerland | Sales | Electronics |
| Grundig Benelux B.V. ("Grundig Benelux")(*) | Netherlands | 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 España S.A. ("Grundig Espana") | Spain | 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.
(**) As of June 30, 2010, the title of Beko S.A has been changed as Beko France S.A.S.

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

## NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

### 2.1 Basis of presentation

### Financial reporting standards

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

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

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

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

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

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

**New and revised standards and interpretations affecting accounting period ending December 31, 2010:**

The application of the revisions, the amendments and the interpretations below do not have an effect on the Company's financial statements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Additional Exemptions for First - Time Adopters',

Amendments to IFRS 2, 'Share based payments' - Group cash settled share based Payment Transactions',

IFRS 3,'Business Combinations' (Revised) and IAS 27,' Consolidated and Separate Financial Statements' (Amended),

IAS 39 Financial Instruments: Recognition and Measurement (Revised) – 'Eligible Hedged Items',

IFRIC 17 'Distributions of Non-cash Assets to Owners',

Improvements to International Financial Reporting Standards (issued 2008),

Improvements to International Financial Reporting Standards (issued 2009).

**New and amended standards and interpretations effective for the accounting period ending after December 31, 2010 (These amendments have not yet been approved by European Union)**

Amendments to IFRS 1- Limited exemption from comparative IFRS 7 disclosures. (Effective for periods beginning on or after July 1, 2010, with earlier application permitted). The Group is assessing the impact of the amendments.

IFRS 9 Financial Instruments (Effective for periods beginning on or after January 1, 2013),
The Group is assessing the impact of the adoption of new standard.

IAS 24 Related Party Disclosures (Revised) (Effective for periods beginning on or after 1 January 2011). The Group is assessing the impact of the adoption of revised standard.

IAS 32 Classification of Rights Issues (Amendment) (Effective for periods beginning on or after February 1, 2010). It is expected that the adoption of the amendment will not have a significant effect on financial statements of the Group.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment) (Effective for periods beginning on or after January 1, 2011, with earlier application permitted). It is expected that the adoption of the amendment will not have a significant effect on financial statements of the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (Effective for periods beginning on or after July 1, 2010, with earlier application permitted). It is expected that the adoption of interpretation will not have a significant effect on financial statements of the Group.

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

**IFRS Amendments (issued in May 2010):**

In May 2010, IASB issued new amendments about interpretations and standards.

***It is expected that the adoption of the standards and the interpretations below will not have a significant effect on the Company's financial statements;***

IFRS 1: Accounting policy changes in the year of adoption
IFRS 1: Revaluation basis as deemed cost
IFRS 1: Use of deemed cost for operations subject to rate regulation
IFRS 3: Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised standard
IFRS 3: Measurement of non-controlling interests
IFRS 3: Un-replaced and voluntarily replaced share-based payment awards
IAS 1: Clarification of statement of changes in equity
IAS 27: Transition requirements for amendments arising as a result of IAS 27 Consolidated and Separate Financial Statements

***The Company is assessing the effects of following amendments on the financial statements;***

IFRS 7: Clarification of disclosures
IAS 34: Significant events and transactions
IFRIC 13: Fair value of award credits

**Functional and presentation currency**

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

**Financial statements of foreign subsidiaries**

Financial statements of subsidiaries operating in foreign countries 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. Foreign 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 of foreign undertakings and differences between the average and balance sheet date rates are included in the "currency translation differences" under the shareholders' equity.

**Consolidation Principles**

The condensed interim consolidated financial statements, which have been prepared in accordance with the principles disclosed in the annual consolidated financial statements for the year ended December 31, 2009, include the accounts of the parent company, Arçelik, and its Subsidiaries.

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

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

As of June 30, 2010 and December 31, 2009, ownership interests and effective interests of the Subsidiaries, which are included in the scope of consolidation, are shown as above (%):

| | June 30, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| | Ownership interest | Economic interest | Ownership interest | Economic interest |
| Archin Limited | 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 Shangai | 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 | 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 | 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 | 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 |

**Going Concern**

The Group prepared condensed interim 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 condensed interim consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current period consolidated financial statements and the significant changes are explained. Comparative figure below is classified to conform to changes in presentation in current period consolidated interim financial statements. The reclassification, as explained below, is applied starting from the income statement of the period beginning on January 1, 2009.

Arçelik Group recognises shipping and handling charges under sales discounts when these charges are collected from customers on behalf of the shipper in export sales invoiced on a Cost, Insurance and Freight ("CIF") basis and do not result in an increase in the economic benefit received by the Group. In the case that such export sales on a CIF basis take place as an intra-group transaction among the Group companies, which are included within the scope of consolidation, shipping and handling charges arising from the relocation of inventories in the Group and which were recognised under sales discounts in previous periods, are recognised in the current period under sales and marketing expenses to provide a better reflection of the economic nature of the transaction. As a result of this reclassification, there has been an increase of TRY 35,465 in the Group's consolidated net sales income and sales and marketing expenses for the period ended June 30, 2010.

### 2.2 Changes and Errors in the Accounting Policies and Estimates

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

### 2.3 Summary of Significant Accounting Policies

The condensed interim consolidated financial statements of the Group for the period ended June 30, 2010 have been prepared in accordance with IAS 34 "Interim Financial Reporting". The accounting policies used in the preparation of these condensed interim consolidated financial statements are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2009, except changes in accounting policies of derivative financial instruments explained below in Note 2.3.1. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2009.

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

### 2.3.1 Derivative Financial Instruments

Derivative financial instruments are initially recognised 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.

**Derivatives Held for Trading**

The Group uses trading derivatives such as forward currency contracts and foreign currency swaps. Although these derivative instruments hedge the foreign currency risk, the Group designates these derivatives as held for trading since they do not meet the criteria for hedge accounting. 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 to 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 recognised 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 recognised 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 recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

The Group primarily uses the contracts with the suppliers against fluctuation in commodity prices. The derivative financial instruments are used when deemed necessary (Note 25).

**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 recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement. The gain or loss on the hedging instruments that has been recognised directly in equity, is transferred to income statement on the disposal of the foreign operation (Note 25).

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

### 2.4 Critical Accounting Estimates and Judgements

The preparation of condensed interim consolidated financial statements requires estimates and assumptions to be made which may affect the amounts of the assets and liabilities reported 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 accounting estimates and assumptions concerning experiences from past periods and anticipation for future. The accounting estimates and assumptions, by definition, may not be equal the related actual results. Accounting estimates and assumptions used in preparation of condensed interim consolidated financial statements are consistent with assumptions and estimates used in financial statements as of December 31, 2009.

### 2.5 Convenience Translation into English of Condensed Interim Consolidated Financial Statements Originally Issued in Turkish

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

## NOTE 3 - BUSINESS COMBINATIONS

There has been no business combination in the period.

*Business combinations in 2009*

As of June 30, 2009 Grundig Elektronik A.Ş. ("Grundig Elektronik"), 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 related articles of Turkish Commercial Code, Corporate Tax Laws 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 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 TRY 659,934, increased to TRY 675,728 with an increase of TRY 15,794 as a result of the merger. This increased capital, 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.

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

### NOTE 3 - BUSINESS COMBINATIONS (Continued)

As of June 30, 2009, related with the Grundig merger; the non-controlling interest transferred amounting to TRY 34,341 comprises paid-in capital of TRY 81,119, share premium of TRY 95, restricted reserves of TRY 4,040, revaluation fund of TRY 9,098, adjustment to share capital of TRY 55,340, translation differences of TRY 1,757, previous years losses of TRY 110,709 and current period loss of TRY 6,399. TRY 15,794 of the aforementioned non-controlling interest has been transferred to the paid-in capital and the remaining amount of TRY 14,507 has been classified as "Contribution to shareholders' equity related to the merger" under equity.

### NOTE 4 - SEGMENT REPORTING

The reportable segments of Arçelik have been organised by management into white goods and consumer electronics. The products included in white goods are washing machines, dryers, dish washers, refrigerators, ovens, cookers and the services provided for these products. The consumer electronics reportable segment includes LCD televisions, televisions, computers, cash registers and the services provided to consumers for these products. Other sales include the revenues from all home appliances, air conditioners, 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 condensed interim 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.

Information about the operational segments is as follows, gross profits have been taken into consideration for evaluation of the performance of the operational segments.

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

| | **White Goods** | **Consumer Electronics** | **Other** | **Total** |
|---|---|---|---|---|
| Total segment revenue | 1,983,765 | 584,571 | 685,445 | 3,253,781 |
| Gross profit | 758,714 | 126,983 | 117,289 | 1,002,986 |
| Depreciation and amortisation | 70,566 | 22,613 | 3,851 | 97,030 |
| Capital expenditures | 60,681 | 19,443 | 701 | 80,825 |
| Income from associates (net) | - | - | 5,117 | 5,117 |

b) Operational segments which have been prepared in accordance with the reportable segments for the period ended June 30, 2009 are as follows:

| | **White goods** | **Consumer electronics** | **Other** | **Total** |
|---|---|---|---|---|
| Total segment revenue | 1,837,103 | 595,402 | 655,000 | 3,087,505 |
| Gross profit | 701,202 | 130,028 | 114,577 | 945,807 |
| Depreciation and amortisation | 64,221 | 22,737 | 3,736 | 90,694 |
| Capital expenditures | 63,870 | 15,302 | 886 | 80,058 |
| Income from associates (net) | - | - | 5,731 | 5,731 |

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

## NOTE 4 - SEGMENT REPORTING (continued)

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

| | White goods | Customer electronics | Other | Total |
|---|---|---|---|---|
| Total segment revenue | 1,016,882 | 331,384 | 418,592 | 1,766,858 |
| Gross profit | 384,841 | 63,410 | 71,257 | 519,508 |
| Depreciation and amortisation | 36,004 | 13,104 | 2,029 | 51,137 |
| Capital expenditures | 33,203 | 11,378 | 584 | 45,165 |
| Income from associates (net) | - | - | 4,762 | 4,762 |

d) Operational segments which have been prepared in accordance with the reportable segments for the period between April 1 –June 30, 2009 are as follows:

| | White goods | Consumer electronics | Other | Total |
|---|---|---|---|---|
| Total segment revenue | 1,073,711 | 309,123 | 370,825 | 1,753,659 |
| Gross profit | 445,024 | 77,858 | 71,768 | 594,650 |
| Depreciation and amortisation | 32,140 | 11,413 | 1,860 | 45,413 |
| Capital expenditures | 39,198 | 8,936 | 540 | 48,674 |
| Income from associates (net) | - | - | 4,614 | 4,614 |

e) Sales revenue, grouped geographically for the period ended June 30, is as follows:

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

| **June 30, 2009** | **Turkey** | **Europe** | **Other** | **Total** |
|---|---|---|---|---|
| Total segment revenue | 1,532,053 | 1,166,250 | 389,202 | 3,087,505 |
| Income from associates (net) | 5,731 | - | - | 5,731 |

f) Sales revenue, grouped geographically for the period between April 1 –June 30, is as follows,

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

| **April 1 -June 30, 2009** | **Turkey** | **Europe** | **Other** | **Total** |
|---|---|---|---|---|
| Total segment revenue | 950,721 | 619,434 | 183,504 | 1,753,659 |
| Income from associates (net) | 4,614 | - | - | 4,614 |

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

## NOTE 5 - CASH AND CASH EQUIVALENTS

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Cash in hand | 310 | 268 |
| Cash at banks | | |
| - demand deposits | 57,808 | 44,806 |
| - time deposits | 918,524 | 816,637 |
| Cheques and notes | 27,329 | 37,646 |
| Other | 808 | 776 |
| **Cash and cash equivalents per cash flow statements** | **1,004,779** | **900,133** |
| Interest income accrual | 2,838 | 4,601 |
| | **1,007,617** | **904,734** |

The maturities of cash and cash equivalents are as follows:

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Up-to 30 days | 747,906 | 692,983 |
| 30-90 days | 259,711 | 211,751 |
| | **1,007,617** | **904,734** |

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

| | | |
|---|---|---|
| TRY | 10.06 | 9.70 |
| USD | 1.09 | 0.54 |
| EUR | 1.47 | 0.28 |
| RON | 4.41 | 7.45 |
| GBP | 0.25 | 0.19 |

## NOT 6 – FINANCIAL INVESTMENTS

### Non-current financial investments

| | June 30, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| **Available-for-sale investments** | | | | |
| | **%** | **TRY** | **%** | **TRY** |
| Koç Finansal Hizmetler A.Ş. | 3.98 | 525,735 | 3.98 | 394,303 |
| Other | | 1,511 | | 1,511 |
| | | **527,246** | | **395,814** |

| | 2010 | 2009 |
|---|---|---|
| **Balance as of January 1** | **395,814** | **540,182** |
| Changes in fair value | 131,432 | 32,371 |
| Disposal of available-for-sale investment – fair value reserve | - | (110,486) |
| Disposal of available-for-sale investment – carrying value | - | (139,512) |
| **Balance as of June 30** | **527,246** | **322,555** |

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

## NOT 7 - FINANCIAL LIABILITIES

### a) Short-term financial liabilities

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Short-term bank borrowings | 406,037 | 332,398 |
| Current portion of long-term bank borrowings | 678,355 | 1,590,798 |
| Other | 427 | 531 |
| | **1,084,819** | **1,923,727** |

| | | |
|---|---|---|
| **Short-term bank borrowings:** | | |
| TRY loans | 15,068 | 9,612 |
| Foreign currency loans | 390,969 | 322,786 |
| | **406,037** | **332,398** |

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

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| TRY loans | 7.25 | - |
| Foreign currency loans | 2.07 | 3.16 |

### b) Long-term financial liabilities

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Long-term bank borrowings | 1,066,877 | 187,946 |
| Other | 175 | 368 |
| | **1,067,052** | **188,314** |

As of June 30, 2010, the details of the long-term bank borrowings are as follows:

| Currency | Effective interest rate (%) | Original currency | TRY amount |
|---|---|---|---|
| TRY | 8.79 | 920,845,808 | 920,846 |
| EUR | 2.35 | 342,331,088 | 657,858 |
| RUB | 5.94 | 952,693,329 | 47,597 |
| GBP | 2.86 | 50,190,459 | 118,931 |
| | | | **1,745,232** |
| Less: Current maturities | | | (678,355) |
| | | | **1,066,877** |

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

## NOT 7 - FINANCIAL LIABILITIES (Continued)

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

| Currency | Effective interest rate (%) | 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: Current maturities | | | (1,590,798) |
| | | | **187,946** |

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

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| 2011 | 32,029 | 151,941 |
| 2012 | 474,198 | 36,005 |
| 2013 | 560,650 | - |
| | **1,066,877** | **187,946** |

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

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Up to 6 months | 2,027,319 | 2,092,105 |
| 6 - 12 months | 123,950 | 19,037 |
| | **2,151,269** | **2,111,142** |

## NOTE 8 – DERIVATIVE FINANCIAL INSTRUMENTS

| | June 30, 2010 | | | December 31, 2009 | | |
|---|---|---|---|---|---|---|
| | Contract value | Fair value Asset | Fair value (Liability) | Contract value | Fair Value Asset | Fair Value (Liability) |
| **Held for trading:** | | | | | | |
| Forward transactions | 325,772 | 267 | (816) | 433,446 | 4,204 | (643) |
| Foreign currency swap contracts | 40,467 | - | (179) | 100,265 | 240 | (55) |
| **Held for hedging:** | | | | | | |
| Commodity swap contracts | 7,666 | - | (640) | - | - | - |
| | | **267** | **(1,635)** | | **4,444** | **(698)** |

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

## NOTE 9 - TRADE RECEIVABLES AND PAYABLES

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| **Short-term trade receivables:** | | |
| Trade receivables | 1,434,604 | 1,276,876 |
| Notes receivables | 917,994 | 962,125 |
| Cheques receivables | 166,128 | 130,490 |
| Due from related parties (Note 24) | 82,837 | 26,217 |
| | **2,601,563** | **2,395,708** |
| Less: Provision for doubtful receivables | (105,147) | (107,312) |
| Less: Unearned credit finance income | (63,694) | (55,385) |
| **Short-term trade receivables (net)** | **2,432,722** | **2,233,011** |

Movements in the provision for doubtful receivables are as follows:

| | 2010 | 2009 |
|---|---|---|
| **Balance as of January 1** | **107,312** | **94,625** |
| Current period additions | 6,334 | 5,119 |
| Collection and reversals of doubtful receivables | (4,085) | (3,584) |
| Currency translation differences | (4,414) | 1,171 |
| **Balance as of June 30** | **105,147** | **97,331** |

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| **Long-term trade receivables:** | | |
| Trade receivables | 7,991 | 4,254 |
| | **7,991** | **4,254** |

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| **Short-term trade payables:** | | |
| Trade payables | 666,108 | 655,439 |
| Due to related parties (Note 24) | 197,050 | 111,429 |
| Unearned credit finance charges | (4,550) | (4,466) |
| | **858,608** | **762,402** |

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| **Long-term trade payables:** | | |
| Due to related parties (Note 24) | 67,700 | 67,380 |
| | **67,700** | **67,380** |

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

## NOTE 10 – INVENTORIES

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Raw materials and supplies | 544,874 | 520,057 |
| Work in progress | 39,601 | 33,859 |
| Finished goods | 363,425 | 327,956 |
| Trade goods | 109,430 | 123,253 |
| | **1,057,330** | **1,005,125** |
| Less: Provision for impairment on inventories | (76,829) | (98,339) |
| | **980,501** | **906,786** |

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

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Raw materials and supplies | 67,183 | 67,894 |
| Finished goods | 8,123 | 14,532 |
| Trade goods | 1,523 | 15,913 |
| | **76,829** | **98,339** |

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

| | 2010 | 2009 |
|---|---|---|
| **Balance as of January 1** | **98,339** | **48,106** |
| Current period additions | 4,269 | 5,925 |
| Realised due to sales of inventory | (22,679) | (11,457) |
| Currency translation differences | (3,100) | 328 |
| **Balance as of June 30** | **76,829** | **42,902** |

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

## NOTE 11 - ASSOCIATES

| | June 30, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| | **%** | **TRY** | **%** | **TRY** |
| Koç Tüketici Finansmanı A.Ş. | 47.0 | 59,509 | 47.0 | 59,592 |
| Arçelik LG Klima Sanayi ve Ticaret A.Ş. | 45.0 | 57,598 | 45.0 | 57,926 |
| Ram Dış Ticaret A.Ş. | 33.5 | 7,826 | 33.5 | 7,583 |
| Tanı Pazarlama ve İletişim Hizmetleri A.Ş. | 32.0 | 4,881 | 32.0 | 4,068 |
| | | **129,814** | | **129,169** |

| | 2010 | 2009 |
|---|---|---|
| **As of January 1** | **129,169** | **123,602** |
| Income from associates (net) | 5,117 | 5,731 |
| Dividend received from associates | (4,472) | - |
| **As of June 30** | **129,814** | **129,333** |

**Income from associates**

| | January 1- June 30, 2010 | January 1- June 30, 2009 | April 1- June 30, 2010 | April 1- June 30, 2009 |
|---|---|---|---|---|
| Koç Tüketici Finansmanı A.Ş. | 3,676 | (1,952) | 2,363 | (640) |
| Arçelik LG Klima Sanayi ve Ticaret A.Ş. | (328) | 4,587 | 1,415 | 3,715 |
| Ram Dış Ticaret A.Ş. | 956 | 1,410 | 703 | 636 |
| Tanı Pazarlama ve İletişim Hizmetleri A.Ş. | 813 | 1,686 | 281 | 903 |
| | **5,117** | **5,731** | **4,762** | **4,614** |

***Summary financial data of associates are as follows:***

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Total assets | 1,661,223 | 1,385,635 |
| Total liabilities | 1,367,995 | 1,094,769 |

| | June 30, 2010 | June 30, 2009 |
|---|---|---|
| Total sales revenue | 591,922 | 617,964 |
| Net income for the period | 12,487 | 15,516 |

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

## NOTE 12 – 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 period** | **6,344** | **8,788** |
| Disposals | (412) | - |
| Currency translation differences | (684) | 26 |
| Current period depreciation | (63) | (1) |
| **Net book value at the end of the period** | **5,185** | **8,813** |
| | | |
| **As of June 30** | | |
| Cost | 10,522 | 12,166 |
| Accumulated depreciation | (5,337) | (3,353) |
| **Net book value at the end of the period** | **5,185** | **8,813** |

Carrying value of Group's investment properties represents their fair value as of balance sheet date.

## NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

| | 2010 | 2009 |
|---|---|---|
| **As of January 1** | | |
| Cost | 3,332,557 | 3,304,201 |
| Accumulated depreciation | (2,088,448) | (2,031,868) |
| **Net book value** | **1,244,109** | **1,272,333** |
| | | |
| **Net book value at the beginning of the period** | **1,244,109** | **1,272,333** |
| Additions | 47,663 | 45,564 |
| Disposals | (14,754) | (3,141) |
| Currency translation differences | (10,069) | (12,679) |
| Current period depreciation | (78,131) | (76,888) |
| **Net book value at the end of the period** | **1,188,818** | **1,225,189** |
| | | |
| **As of June 30** | | |
| Cost | 3,303,267 | 3,289,566 |
| Accumulated depreciation | (2,114,449) | (2,064,377) |
| **Net book value** | **1,188,818** | **1,225,189** |

There is no mortgage on property, plant and equipment as of June 30, 2010. (June 30, 2009: None).

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

## NOTE 14 - INTANGIBLE ASSETS

| | 2010 | 2009 |
|---|---|---|
| **As of January 1** | | |
| Cost | 539,682 | 473,977 |
| Accumulated amortisation | (99,689) | (71,762) |
| **Net book value** | **439,993** | **402,215** |
| | | |
| **Net book value at the beginning of the period** | **439,993** | **402,215** |
| Additions | 33,162 | 34,494 |
| Disposals | (14) | (158) |
| Currency translation differences | (22,047) | 1,720 |
| Current period amortisation | (18,836) | (13,806) |
| **Net book value at the end of the period** | **432,258** | **424,465** |
| | | |
| **As of June 30** | | |
| Cost | 549,165 | 510,432 |
| Accumulated amortisation | (116,907) | (85,967) |
| **Net book value** | **432,258** | **424,465** |

Net carrying value of the development costs as of June 30, 2010 is TRY 146,018 (December 31, 2009: TRY 130,939), and capitalized development costs in the period is TRY 29,740 (June 30, 2009: TRY 26,395).

## NOTE 15 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Commitments and contingent liabilities are as follows:

| | June 30, 2010 | December 31,2009 |
|---|---|---|
| Operational lease commitments | 6,972 | 10,192 |

The Company has export commitments of USD 665,276,749 related to export incentives certificate as of June 30, 2010 (December 31, 2009: USD 898,827,150).

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

## NOTE 15 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

### Derivative Financial Instruments

TRY equivalents of Group's foreign exchange purchase and sales commitments in terms of currencies as of June 30, 2010 and December 31, 2009 are as follows:

*June 30, 2010*

| | Forward exchange purchase commitment | Forward exchange sales commitment |
|---|---|---|
| EUR | 180,616 | - |
| TRY | - | 20,325 |
| USD | 2,140 | 109,851 |
| GBP | - | 35,544 |
| PLN | - | 9,271 |
| RUB | - | 8,493 |
| | **182,756** | **183,484** |

*December 31, 2009*

| | Forward 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** |

Commitments, contingent assets and liabilities are as follows:

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Collaterals obtained | 1,840,225 | 1,812,962 |

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

## NOTE 15 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Collaterals, pledges and mortgages given by the Group as of June 30, 2010 and December 31, 2009 are as follows:

| Collaterals, Pledges, Mortgages ("CPM") given by the Company | June 30, 2010 | December 31, 2009 |
|---|---|---|
| A.CPMs given for companies' own legal personality | 89,665 | 89,724 |
| B. CPMs given on behalf of fully consolidated subsidiaries | 12,002 | 216 |
| C.CPMs given for continuation of its economic activities on behalf of third parties | - | - |
| D. Total amount of other CPMs | | |
| i) Total amount of CPMs given on behalf of the majority shareholder | - | - |
| ii) Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C. | - | - |
| iii)Total amount of CPMs given on behalf of third parties which are not in scope of C. | - | - |
| **Total** | **101,667** | **89,940** |

## NOTE 16 - PROVISIONS

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| **Short-term provisions:** | | |
| Warranty provision | 108,106 | 109,543 |
| Assembly provision | 43,890 | 36,226 |
| Provision for cost and expenses | 11,204 | 10,239 |
| Provision for transportation costs | 8,287 | 6,298 |
| Other | 31,670 | 42,353 |
| | **203,157** | **204,659** |

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| **Long-term provisions:** | | |
| Warranty provision | 56,590 | 58,603 |
| Other | 1,230 | 2,158 |
| | **57,820** | **60,761** |

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

## NOTE 17 - OTHER ASSETS AND LIABILITIES

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| **Other current assets:** | | |
| Prepaid expenses | 25,897 | 10,541 |
| Value added tax and private consumption tax receivables | 22,014 | 15,823 |
| Taxes and funds deductible | 12,633 | 36,579 |
| Advances given for inventories | 8,058 | 3,651 |
| Other order advances given | 5,656 | 2,765 |
| Assets held for sale | 5,288 | 3,628 |
| Prepaid taxes and funds | 1,785 | 26,842 |
| Other | 8,783 | 9,151 |
| | **90,114** | **108,980** |

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| **Other current liabilities:** | | |
| Accruals for customer premiums | 91,943 | 62,873 |
| Accruals for sales and marketing expenses | 32,618 | 18,121 |
| Advances received | 23,904 | 61,076 |
| Accruals for licence fee expenses | 16,767 | 15,228 |
| Accruals for bonuses and premiums | 11,118 | 1,258 |
| Accruals for advertising expenses | 8,761 | 6,383 |
| Liabilities attributable to the acquisition | 1,618 | 1,817 |
| Other | 3,970 | 2,532 |
| | **190,699** | **169,288** |

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| **Other non-current liabilities:** | | |
| Liabilities attributable to the acquisition | 1,545 | 3,557 |
| Other | 2,514 | 2,944 |
| | **4,059** | **6,501** |

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

## NOTE 18 - EQUITY

### Paid-in capital

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

| | June 30, 2010 | December 31, 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 free capital shares to existing shareholders.

The shareholding structures of the Company are as follows:

| | June 30, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| | **Share %** | **Amount** | **Share %** | **Amount** |
| <u>**Shareholders**</u> | | | | |
| 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 | 8.67 | 58,591 | 8.67 | 58,591 |
| Burla Ticaret ve Yatırım A.Ş. | 7.48 | 50,572 | 7.48 | 50,572 |
| Koç Holding Emekli ve Yardım Sandığı Vakfı | 5.14 | 34,722 | 5.14 | 34,722 |
| Other | 26.15 | 176,673 | 26.15 | 176,673 |
| **Paid-in share 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 due to the merger

Additional contribution to shareholders' equity related to the merger arises from the merger with Grundig Elektronik dated June 30, 2009 (Note 3).

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

## NOTE 18 –EQUITY (Continued)

### Revaluation Funds

Increases in carrying amounts as a result of revaluations recognised directly in the equity are followed in the headings below:

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Financial assets fair value reserve | 362,849 | 237,989 |
| Non-current assets fair value reserve | 26,088 | 45,569 |
| Financial hedge fund | (1,331) | - |
| **Total revaluation funds** | **387,606** | **283,558** |

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

### Restricted Reserves

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

The details of these restricted reserves are as follows:

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Legal reserves | 168,321 | 161,700 |
| Special reserves | 124 | 124 |
| | **168,445** | **161,824** |

The Company paid a cash dividend at the rate of 14.8%, which corresponds to TRY 0.14799 (full) gross and net cash dividend for the shares with a nominal value of TRY 1.00 (full) 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 TRY 0.14799 (full) gross and TRY 0.13459 (full) net cash dividend for the shares with a nominal value of TRY 1.00 (full) to other shareholders.

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

## NOTE 19 - OTHER INCOME AND EXPENSES

| | January 1- June 30, 2010 | January 1- June 30, 2009 | April 1- June 30, 2010 | April 1- June 30, 2009 |
|---|---|---|---|---|
| **Other income:** | | | | |
| Gain on sales of tangible and intangible assets (*) | 40,468 | 1,771 | 40,279 | 1,426 |
| Income from claims and grants | 16,150 | 7,567 | 12,047 | 3,536 |
| Reversal of provisions for doubtful receivables | 4,085 | 3,584 | 3,634 | 2,765 |
| Reversal of other provisions | 2,508 | 4,993 | 1,893 | 2,518 |
| Income from sale of financial asset | - | 116,302 | - | - |
| Other | 7,194 | 10,136 | 419 | 6,988 |
| | **70,405** | **144,353** | **58,272** | **17,233** |

(*) Gain on the sales to Koç University of factory land, buildings and annexes located in Topkapı Istanbul have been TRY 40,055 in the period ended June 30, 2010 (Note 24).

| | January 1- June 30, 2010 | January 1- June 30, 2009 | April 1- June 30, 2010 | April 1- June 30, 2009 |
|---|---|---|---|---|
| **Other expenses:** | | | | |
| Provision expense for doubtful receivables | (6,334) | (5,119) | (3,321) | (2,325) |
| Provision expense for impairment on inventories | (4,269) | (5,925) | (2,569) | (2,838) |
| Loss from sales of tangible and intangible assets | (3,821) | (2,406) | (2,342) | (1,650) |
| Other | (6,395) | (2,671) | (4,196) | (1,115) |
| | **(20,819)** | **(16,121)** | **(12,428)** | **(7,928)** |

## NOTE 20 - FINANCIAL INCOME

| | January 1- June 30, 2010 | January 1- June 30, 2009 | April 1- June 30, 2010 | April 1- June 30, 2009 |
|---|---|---|---|---|
| Foreign exchange gains | 90,855 | 192,769 | 45,261 | 86,186 |
| Interest income | 19,826 | 15,928 | 8,267 | 10,169 |
| Credit finance income | 35,890 | 62,726 | 26,099 | 25,968 |
| Foreign currency forward income | 18,280 | 22,390 | 10,921 | 11,506 |
| Other | 57 | 1,089 | 19 | 280 |
| | **164,908** | **294,902** | **90,567** | **134,109** |

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

## NOTE 21 - FINANCIAL EXPENSES

| | January 1- June 30, 2010 | January 1- June 30, 2009 | April 1- June 30, 2010 | April 1- June 30, 2009 |
|---|---|---|---|---|
| Foreign exchange losses | (84,044) | (180,108) | (44,022) | (60,485) |
| Interest expenses | (56,883) | (202,885) | (26,130) | (83,680) |
| Credit finance charges | (9,790) | (10,295) | (7,127) | (4,462) |
| Cash discounts expenses | (6,716) | (11,103) | (3,685) | (4,254) |
| Foreign currency forward expenses | (7,952) | (29,874) | (4,075) | (10,080) |
| Other | (2,215) | (2,590) | (1,122) | (2,238) |
| | **(167,600)** | **(436,855)** | **(86,161)** | **(165,199)** |

## NOTE 22 - TAX ASSETS AND LIABILITIES

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Corporation and income taxes | 55,971 | 45,961 |
| Less: prepaid tax | (27,088) | (31,605) |
| **Taxes payable (net)** | **28,883** | **14,356** |
| Deferred tax assets | 41,048 | 41,509 |
| Deferred tax liabilities | (97,910) | (95,201) |
| **Deferred tax liabilities (net)** | **(56,862)** | **(53,692)** |

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

The corporation tax rate is 20% in Turkey. 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.

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

| | January 1- June 30, 2010 | January 1- June 30, 2009 | April 1- June 30, 2010 | April 1- June 30, 2009 |
|---|---|---|---|---|
| Taxes on income | | | | |
| - Current period tax expense | (57,186) | (11,969) | (28,219) | (8,631) |
| - Deferred tax income/expense | (1,037) | 38,764 | (2,037) | 29,029 |
| **Taxes on income (net)** | **(58,223)** | **26,795** | **(30,256)** | **20,398** |

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

## NOTE 22 - TAX ASSETS AND LIABILITIES (Continued)

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

Deferred taxes calculated using the principal tax rates of the tax authorities of each country that the Group operates in as of June 30, 2010 are as follows:

| | | | |
|---|---|---|---|
| Germany | 31.5% | Spain | 30.0% |
| Austria | 25.0% | Italy | 31.4% |
| Czech Republic | 21.0% | Poland | 19.0% |
| China | 25.0% | Romania | 16.0% |
| France | 33.3% | Russia | 20.0% |
| Netherlands | 25.5% | Slovakia | 19.0% |
| United Kingdom | 28.0% | | |

The breakdowns of cumulative temporary differences and the resulting deferred tax assets/liabilities provided as of June 30, 2010 and December 31, 2009 using principal tax rates are as follows:

| | **Cumulative temporary differences** | | **Deferred tax assets/ (liabilities)** | |
|---|---|---|---|---|
| | **June 30, 2010** | **December 31, 2009** | **June 30, 2010** | **December 31, 2009** |
| Property, plant and equipment and intangible assets | 709,516 | 705,615 | (148,364) | (147,445) |
| Available-for-sale investments | 381,948 | 250,516 | (19,097) | (12,526) |
| Derivative financial instruments | (1,368) | 3,755 | 274 | (751) |
| Unused tax credits | (158,087) | (172,610) | 31,621 | 34,969 |
| Provision for warranty and assembly expenses | (157,530) | (145,926) | 31,203 | 28,867 |
| Provision for employment termination benefits | (88,905) | (83,092) | 17,781 | 16,618 |
| Provision for impairment on inventories | (68,871) | (68,099) | 13,762 | 13,587 |
| Provision for doubtful receivables | (6,408) | (976) | 1,152 | 195 |
| Accrual for licenses expenses | (16,767) | (15,228) | 3,353 | 3,046 |
| Unearned credit finance income/expense (net) | (17,724) | (15,207) | 3,528 | 2,281 |
| Other | (34,217) | (29,774) | 7,925 | 7,467 |
| **Deferred tax liabilities (net)** | | | **(56,862)** | **(53,692)** |

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

## NOTE 22 - TAX ASSETS AND LIABILITIES (Continued)

| | 2010 | 2009 |
|---|---|---|
| **As of January 1** | **(53,692)** | **(25,593)** |
| Charged to the income statement | (1,037) | 38,764 |
| Charged to the shareholders' equity | (6,268) | 4,447 |
| Currency translation differences | 4,135 | (1,196) |
| **As of June 30** | **(56,862)** | **16,422** |

As a result of group management's evaluation, deferred tax asset amounting to TRY 158,087 (December 31, 2009: TRY 172,610) out of tax discounts amounting to TRY 31,621 (December 31, 2009: TRY 34,969) is presumed and accounted in accordance with tax law.

## NOTE 23 - EARNINGS PER SHARE

Earnings per share for each class of share disclosed in the condensed interim consolidated statements of income is determined by dividing the net income attributable to that class of share by the weighted average number of shares of that class that have been outstanding during the year.

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

Earning per share in terms of share groups is as follows:

| | January 1- June 30, 2010 | January 1- June 30, 2009 | April 1- June 30, 2010 | April 1- June 30, 2009 |
|---|---|---|---|---|
| Net income attribute to the equity holders of the parent | 270,473 | 257,624 | 160,828 | 204,186 |
| Weighted average number of ordinary shares with nominal value( Kr each one) | 67,572,820,500 | 46,741,550,000 | 67,572,820,500 | 42,575,300,000 |
| **Earning Per Share (Kr)** | **0.400** | **0.551** | **0.238** | **0.480** |

## NOTE 24 - RELATED PARTY DISCLOSURES

### (i) Related party balances

### (a) Due from related parties

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Group companies (*) | 73,216 | 11,699 |
| Associates | 9,621 | 14,518 |
| | **82,837** | **26,217** |

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

## NOTE 24 - RELATED PARTY DISCLOSURES (Continued)

**(b) Due to related parties**

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| ***Short-term:*** | | |
| Group companies (*) | 68,087 | 59,707 |
| Associates | 127,082 | 51,722 |
| Shareholders | 1,881 | - |
| | **197,050** | **111,429** |
| ***Long-term:*** | | |
| Group companies (*) | 67,700 | 67,380 |
| | **67,700** | **67,380** |

**(c) Deposits**

| | | |
|---|---|---|
| Group companies (*) | 247,285 | 54,962 |
| | **247,285** | **54,962** |

**(d) Bank borrowings**

| | | |
|---|---|---|
| Group companies (*) | 139,156 | 65,558 |
| | **139,156** | **65,558** |

**e) Derivative financial instruments**

| June 30, 2010 | Contract amount | Fair Value Assets/(Liabilities) | |
|---|---|---|---|
| Group companies (*) | 72,635 | 78 | (32) |
| | **72,635** | **78** | **(32)** |

| December 31, 2009 | Contract amount | Fair Value Assets/(Liabilities) | |
|---|---|---|---|
| Group companies (*) | 296,620 | 974 | (573) |
| | **296,620** | **974** | **(573)** |

**(ii) Transactions with related parties**

**Sales of goods and services**

| | January 1- June 30, 2010 | January 1- June 30, 2009 | April 1- June 30, 2010 | April 1- June 30, 2009 |
|---|---|---|---|---|
| Group companies (*) | 72,849 | 58,861 | 42,978 | 37,545 |
| Associates | 9,049 | 10,039 | 6,174 | 5,905 |
| Shareholders | 51 | - | 51 | - |
| | **81,949** | **68,900** | **49,203** | **43,450** |

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

## NOTE 24 - RELATED PARTY DISCLOSURES (Continued)

**Purchases of goods and services**

| | January 1- June 30, 2010 | January 1- June 30, 2009 | April 1- June 30, 2010 | April 1- June 30, 2009 |
|---|---|---|---|---|
| Group companies (*) | 201,444 | 123,601 | 97,238 | 67,267 |
| Associates | 137,059 | 143,701 | 94,812 | 104,611 |
| Shareholders | 4,732 | 5,022 | 2,419 | 3,261 |
| | **343,235** | **272,324** | **194,469** | **175,139** |

### (f) Key management compensation

Total compensation provided to key management personnel by the Company during the period ended June 30, 2010 amounts to TRY 8,490 (June 30, 2009: TRY 3,695).

### (g) Other transactions

| | January 1- June 30, 2010 | January 1- June 30, 2009 | April 1- June 30, 2010 | April 1- June 30, 2009 |
|---|---|---|---|---|
| Dividends paid ** | 100,000 | 187 | - | 187 |
| Gain on sale of tangible assets | 40,055 | - | 40,555 | - |
| Interest expense | 2,585 | 9,807 | 1,087 | 1,834 |
| Interest income | 3,517 | 2,504 | 1,647 | 1,246 |

(*) Group companies include Koç group companies.
(**) Dividend that would be distributed as bonus shares in the period ended June 30, 2009, was added to share capital in the following period.

## NOTE 25 - NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS

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

***Hedging operations and derivative financial instruments***

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

*Credit risk*

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

A significant amount of trade receivables is from third parties. 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, the credit quality of each customer is assessed; 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 June 30, 2010 and December 31, 2009 are as follows:

| | Trade Receivables | | Deposits |
|---|---|---|---|
| **June 30, 2010** | **Related Party** | **Third Party** | **in Banks** |
| **Maximum exposed credit risk as of reporting date(1)** | **82,837** | **2,357,876** | **979,170** |
| Secured portion of the maximum credit risk by guarantees, etc. | - | (1,743,477) | |
| A. Net book value of financial assets either are not due or not impaired | 82,837 | 2,139,724 | 979,170 |
| - Secured portion by guarantees, etc | - | (1,576,323) | |
| B. Financial assets with renegotiated conditions | - | 39,042 | |
| - Secured portion by guarantees, etc | - | (38,446) | |
| C. Net book value of the expired but not impaired financial assets | - | 141,748 | |
| - Secured portion by guarantees, etc. | - | (94,606) | |
| D. Net book value of the impaired assets | - | 37,362 | |
| - Overdue (Gross book value) | - | 142,509 | |
| - Impairment | - | (105,147) | |
| - Secured portion of the net value by guarantees, etc. | - | (34,102) | |

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

## NOTE 25 - NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

| | Trade Receivables | | Deposits |
|---|---|---|---|
| **December 31, 2009** | **Related Party** | **Third Party** | **in Banks** |
| **Maximum exposed credit risk as of reporting date(1)** | **26,217** | **2,211,048** | **877,100** |
| Secured portion of the maximum credit risk by guarantees, etc. | - | (1,492,859) | - |
| A. Net book value of financial assets either are not due or not impaired | 26,217 | 1,952,229 | 877,100 |
| - 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 expired 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 (Gross book value) | - | 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 neither due nor impaired**

| | June 30, 2010 | December 31,2009 |
|---|---|---|
| Group 1 | 72,734 | 9,284 |
| Group 2 | 2,013,089 | 1,905,978 |
| Group 3 | 175,780 | 162,748 |
| | **2,261,603** | **2,078,010** |

Group 1 - New customers (Less than three months).
Group 2 - Existing customers with no defaults in the past (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 25 - NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

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

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| 0-1 month | 66,459 | 42,267 |
| 1-3 months | 17,839 | 23,133 |
| 3-12 months | 28,943 | 43,949 |
| 1-5 years | 28,507 | 12,128 |
| | **141,748** | **121,477** |

***Foreign exchange risk***

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

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

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 EUR, USD, GBP, RON and RUB.

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***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 conversion of some investments operating in Europe of the Group to TRY. 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 conversion of the net assets of investments in foreign operations.

***Foreign currency position***

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

| | June 30, 2010 | December 31, 2009 |
|---|---|---|
| Assets | 1,110,311 | 1,098,051 |
| Liabilities | (1,306,394) | (986,664) |
| **Net balance sheet position** | **(196,083)** | **111,387** |
| Net position of off-balance sheet derivative financial instruments | 154,116 | (107,666) |
| **Net foreign currency position** | **(41,967)** | **3,721** |

## NOTE 25 - NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

Currencies other than the functional currency of the countries that the Company and its subsidiaries operate are considered as foreign currencies. Assets and liabilities denominated in foreign currency held by the Company at June 30, 2010 are as follows (original foreign currencies are presented in thousands):

| | EUR | USD | GBP | RUB | PLN | RON | Total TRY Equivalent |
|---|---|---|---|---|---|---|---|
| **Current Assets** | | | | | | | |
| Trade receivables | 260,139 | 162,573 | 67,783 | 552,119 | 21,475 | 3,919 | 955,782 |
| Monetary financial assets | 26,261 | 16,257 | 1 | 48,069 | 5,498 | - | 81,018 |
| Other | 14,182 | 29,330 | 30 | - | - | - | 73,511 |
| **Total assets** | **300,582** | **208,160** | **67,814** | **600,188** | **26,973** | **3,919** | **1,110,311** |
| **Current liabilities** | | | | | | | |
| Trade payables | 86,287 | 90,815 | 296 | - | - | - | 309,526 |
| Financial liabilities | 173,835 | - | 190 | - | - | - | 334,509 |
| Other monetary financial liabilities | 4,606 | 9,865 | 697 | - | - | - | 26,037 |
| **Non-current liabilities** | | | | | | | |
| Trade payables | - | 42,993 | - | - | - | - | 67,700 |
| Financial liabilities | 233,425 | - | 50,000 | - | - | - | 567,054 |
| Other monetary financial liabilities | - | 15 | 652 | - | - | - | 1,568 |
| **Total liabilities** | **498,153** | **143,688** | **51,835** | **-** | **-** | **-** | **1,306,394** |
| **Net balance sheet position** | **(197,571)** | **64,472** | **15,979** | **600,188** | **26,973** | **3,919** | **(196,083)** |
| Off-balance sheet foreign currency derivative financial assets | 163,988 | 1,359 | - | - | - | - | 317,275 |
| Off-balance sheet foreign currency derivative financial liabilities | - | (69,760) | (15,000) | (170,000) | (20,000) | - | (163,159) |
| Net position of foreign currency off-balance sheet items | 163,988 | (68,401) | (15,000) | (170,000) | (20,000) | - | 154,116 |
| **Net foreign currency asset/ (liability) position** | **(33,583)** | **(3,929)** | **979** | **430,188** | **6,973** | **3,919** | **(41,967)** |

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

| | EUR | USD | GBP | RUB | PLN | RON | Total TRY Equivalent |
|---|---|---|---|---|---|---|---|
| Against TRY | (25,105) | 7,138 | (1,634) | 430,188 | 6,749 | 3,919 | (14,542) |
| Against EUR | - | 271 | - | - | 224 | - | 531 |
| Against RUB | 3,264 | (5,282) | - | - | - | - | (2,045) |
| Against PLN | (2,154) | (43) | - | - | - | - | (4,207) |
| Against GBP | 2,595 | - | - | - | - | - | 4,987 |
| Against other currencies | (12,183) | (6,013) | 2,613 | - | - | - | (26,691) |
| | **(33,583)** | **(3,929)** | **979** | **430,188** | **6,973** | **3,919** | **(41,967)** |

(*) 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.

## NOTE 25 - NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

Currencies other than the functional currency of the countries that the Company and its subsidiaries operate are considered as foreign currencies. Assets and liabilities denominated in foreign currency held by the Company at December 31, 2009 are as follows (original foreign currencies are presented in thousands):

| | EUR | USD | GBP | RUB | PLN | Total 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 foreign currency derivative financial assets | 27,464 | 26,104 | 2,000 | - | - | 103,414 |
| Off-balance sheet foreign currency derivative financial liabilities | (15,000) | - | (68,000) | (100,000) | (21,600) | (211,080) |
| Net position of foreign currency 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 is 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) |
| | **(24,443)** | **(19,805)** | **27,432** | **224,171** | **18,548** | **3,721** |

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

## NOTE 25 - NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

Foreign currency sensitivity analysis as of June 30, 2010 is as follows:

| | **Gain/Loss** | | **Equity** | |
|---|---|---|---|---|
| | **Foreign Exchange** | | **Foreign Exchange** | |
| | **Appreciation** | **Depreciation** | **Appreciation** | **Depreciation** |
| +/-10% fluctuation of USD rate | | | | |
| USD net asset/liability | 10,152 | (10,152) | 10,152 | (10,152) |
| Secured portion from USD risk (*) | (10,771) | 10,771 | (10,771) | 10,771 |
| **USD net effect** | **(619)** | **619** | **(619)** | **619** |
| +/-10% fluctuation of EUR rate | | | | |
| EUR net asset/liability | (37,967) | 37,967 | (29,052) | 29,052 |
| Secured portion from EUR risk (*) | 31,514 | (31,514) | 31,514 | (31,514) |
| **EUR net effect** | **(6,453)** | **6,453** | **2,462** | **(2,462)** |
| +/-10% fluctuation of GBP rate | | | | |
| GBP net asset/liability | 3,786 | (3,786) | 13,860 | (13,860) |
| Secured portion from GBP risk (*) | (3,554) | 3,554 | (3,554) | 3,554 |
| **GBP net effect** | **232** | **(232)** | **10,306** | **(10,306)** |
| +/-10% fluctuation of RUB rate | | | | |
| RUB net asset/liability | 2,999 | (2,999) | 15,511 | (15,511) |
| Secured portion from RUB risk (*) | (849) | 849 | (849) | 849 |
| **RUB net effect** | **2,150** | **(2,150)** | **14,662** | **(14,662)** |
| +/-10% fluctuation of RON rate | | | | |
| RON net asset/liability | 171 | (171) | 17,701 | (17,701) |
| Secured portion from RON risk (*) | - | - | - | - |
| **RON net effect** | **171** | **(171)** | **17,701** | **(17,701)** |
| +/-10% fluctuation of PLN rate | | | | |
| PLN net asset/liability | 1,250 | (1,250) | 2,455 | (2,455) |
| Secured portion from PLN risk (*) | (927) | 927 | (927) | 927 |
| **PLN net effect** | **323** | **(323)** | **1,528** | **(1,528)** |
| | **(4,196)** | **4,196** | **46,040** | **(46,040)** |

(*) Includes effects of off-balance sheet derivative instruments.

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

## NOTE 25 - NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

Foreign currency sensitivity analysis as of December 31, 2009 is as follows:

| | Gain/Loss | | Equity | |
|---|---|---|---|---|
| | Foreign Exchange | | Foreign Exchange | |
| | Appreciation | Depreciation | Appreciation | 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 effects of off-balance sheet derivative instruments.

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

## NOTE 25 - NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

The imports to and exports from Turkey for the period ended June 30, 2010 and June 30, 2009 are as follows:

| | June 30, 2010 | | June 30, 2009 | |
|---|---|---|---|---|
| | **Original amount (in full)** | **TRY equivalent** | **Original amount (in full)** | **TRY equivalent** |
| EUR | 361,663,023 | 726,667 | 306,714,765 | 658,205 |
| USD | 193,000,077 | 293,464 | 177,525,452 | 288,027 |
| GBP | 96,954,251 | 224,550 | 89,167,293 | 214,994 |
| Other | - | 45,442 | - | 5,746 |
| **Total exports** | | **1,290,123** | | **1,166,972** |
| EUR | 169,778,439 | 351,406 | 134,802,402 | 292,850 |
| USD | 338,583,181 | 542,018 | 223,378,322 | 362,858 |
| GBP | 253,071 | 634 | 218,592 | 538 |
| Other | - | 3,622 | - | 974 |
| **Total imports** | | **897,680** | | **657,220** |

## NOTE 26 – SUPPLEMENTARY CASH FLOW INFORMATION

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

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

| | June 30, 2010 | June 30, 2009 |
|---|---|---|
| **Changes in provisions:** | | |
| Assembly and transportation provision | 9,653 | 2,142 |
| Warranty provision | (3,450) | (2,795) |
| Provision for employment termination benefits | 6,027 | 6,770 |
| Accrual for bonuses and premiums | 9,860 | 8,957 |
| Accrual for customer premiums | 29,070 | 55,995 |
| Accrual for sales and marketing expenses | 14,497 | 3,171 |
| Provision for impairment on inventories | 4,269 | 5,925 |
| Provision for doubtful receivables | 6,334 | 5,119 |
| | **76,260** | **85,284** |
| **Changes in operating assets and liabilities:** | | |
| Trade receivables | (182,568) | 130,071 |
| Inventories | (77,984) | 275,354 |
| Other assets and liabilities | (56,438) | 11,633 |
| Trade payables | 96,526 | 27,624 |
| | **(220,464)** | **444,682** |