ARÇELİK ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009 TOGETHER WITH AUDITOR'S REPORT (ORIGINALLY ISSUED IN TURKISH)

PRICEWATERHOUSECOOPERS

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CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Arçelik A.Ş.

1. We have audited the accompanying consolidated financial statements of Arçelik A.Ş. and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated balance sheet as of 31 December 2009 and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the auditing standards issued by the CMB. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the consolidated financial statements are free from material misstatement.

   An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Group management, as well as evaluating the overall presentation of the consolidated financial statements.

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

PRICEWATERHOUSECOOPERS

Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Arçelik A.Ş. as of 31 December 2009, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the financial reporting standards accepted by the CMB (Note 2).

Additional paragraph for convenience translation into English

5. The financial reporting standards described in Note 2 (defined as "CMB Financial Reporting Standards") to the consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with IFRS.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Haluk Yalçın, SMMM
Partner

Istanbul, 17 February 2010

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2009

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CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	2009	2008
ASSETS			
Current assets			
Cash and cash equivalents	6	904,734	415,586
Financial investments	9	4,444	26,039
Trade receivables	10	2,233,011	2,575,499
Inventories	12	906,786	1,303,931
Other current assets	22	108,980	103,172
Total current assets		**4,157,955**	**4,424,227**
Non-current assets			
Trade receivables	10	4,254	9,060
Financial investments	7	395,814	543,443
Associates	13	129,169	123,602
Investment property	14	6,344	8,788
Property, plant and equipment	15	1,244,109	1,272,333
Intangible assets	16	439,993	402,215
Goodwill	17	7,511	10,255
Deferred tax assets	30	41,509	65,878
Total non-current assets		**2,268,703**	**2,435,574**
Total assets		**6,426,658**	**6,859,801**

The consolidated financial statements as at and for the year ended 31 December 2009 have been approved for issue by the Board of Directors on 17 February 2010 and signed on its behalf by Fatih Kemal Ebiçlioğlu, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director. These consolidated financial statements are subject to the approval of General Assembly.

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	2009	2008
LIABILITIES			
Current liabilities			
Financial liabilities	8	1,923,727	1,914,505
Other financial liabilities	9	698	5,533
Trade payables	10	762,402	635,899
Other payables	11	104,533	83,835
Current income tax liabilities	30	14,356	4,063
Provisions	20	204,659	198,294
Other current liabilities	22	169,288	149,499
Total current liabilities		**3,179,663**	**2,991,628**
Non-current liabilities			
Financial liabilities	8	188,314	1,576,603
Trade payables	10	67,380	72,955
Provisions for employment termination benefits	21	85,335	60,217
Deferred tax liabilities	30	95,201	91,471
Provisions	20	60,761	53,197
Other non-current liabilities	22	6,501	12,401
Total non-current liabilities		**503,492**	**1,866,844**
Total liabilities		**3,683,155**	**4,858,472**
EQUITY			
Paid in capital	23	675,728	399,960
Adjustment to share capital	23	468,811	468,811
Share premium		889	96
Revaluation fund	23	283,558	287,902
Translation reserve		35,137	40,800
Restricted reserves	23	161,824	157,784
Additional contribution to shareholders' equity related to the merger	23	14,507	-
Retained earnings		574,257	542,917
Net income for the year		485,410	39,794
Attributable to:			
Equity holders of the parent		2,700,121	1,938,064
Minority interest		43,382	63,265
Total equity		**2,743,503**	**2,001,329**
Total liabilities and equity		**6,426,658**	**6,859,801**
Commitments, contingent assets and liabilities	19		

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	2009	2008
Net sales	24	6,591,895	6,852,289
Cost of sales	24	(4,417,892)	(4,905,292)
Gross profit		**2,174,003**	**1,946,997**
Selling and marketing expenses	25	(1,105,725)	(1,157,275)
General administrative expenses	25	(325,605)	(295,616)
Research and development expenses	25	(48,480)	(54,517)
Other income	27	184,966	44,934
Other expenses	27	(130,313)	(44,972)
Operating profit		**748,846**	**439,551**
Income from associates	13	5,567	12,473
Financial incomes	28	402,124	741,036
Financial expenses	29	(580,094)	(1,163,939)
Income before tax		**576,443**	**29,121**
Income tax expense			
- Taxes on income	30	(45,910)	(29,693)
- Deferred tax (expense)/income	30	(27,507)	7,128
Net income		**503,026**	**6,556**
Attributable to:			
Minority interest		17,616	(33,238)
Equity holders of the parent		**485,410**	**39,794**
Earnings per share (Kr)	**31**	**0.8493**	**0.0935**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER

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

	2009	2008
Net income	**503,026**	**6,556**
Other comprehensive income / (loss):		
Fair value gains/losses on non-current assets (net)	394	53,709
Fair value gains/losses on financial assets (net)	118,111	(199,243)
Translation differences	(5,359)	63,429
Reclassification adjustments:		
Financial assets valuation fund (net)	(121,626)	-
Other comprehensive loss (after tax)	(8,480)	(82,105)
Total comprehensive income/(loss)	**494,546**	**(75,549)**
Distribution of total comprehensive income/(loss)		
Minority interest	17,598	(20,834)
Equity holders of the parent	476,948	(54,715)

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER

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

	Paid–in capital	Adjustment to share capital	Share premium	Revaluation Fund	Legal reserves	Translation reserves	Contribution to shareholders' equity due to merger	Retained earnings	Net income for the year	Minority interest	Total equity
Balances at 1 January 2008 (*)	399,960	468,811	96	440,749	142,973	(16,585)	-	523,684	157,765	28,277	2,145,730
Capital increase	-	-	-	-	-	-	-	-	-	33,185	33,185
Transfers	-	-	-	-	71	-	-	157,694	(157,765)	-	-
Dividends paid	-	-	-	-	14,740	-	-	(114,730)	-	(2,047)	(102,037)
Transactions with minority interests	-	-	-	-	-	-	-	(24,684)	-	24,684	-
Total comprehensive income	-	-	-	(152,847)	-	57,385	-	953	39,794	(20,834)	(75,549)
Balances at 31 December 2008	**399,960**	**468,811**	**96**	**287,902**	**157,784**	**40,800**	**-**	**542,917**	**39,794**	**63,265**	**2,001,329**
Transfers	9,999	-	-	-	-	-	-	29,795	(39,794)	-	-
Capital increase	249,975	-	-	-	-	-	-	-	-	-	249,975
Transfer from minority interest due to merger with the subsidiary	15,794	-	-	-	4,040	-	14,507	-	-	(34,341)	-
Increase in share premium	-	-	793	-	-	-	-	-	-	-	793
Dividends paid	-	-	-	-	-	-	-	-	-	(3,140)	(3,140)
Total comprehensive income	-	-	-	(4,344)	-	(5,663)	-	1,545	485,410	17,598	494,546
Balances at 31 December 2009	**675,728**	**468,811**	**889**	**283,558**	**161,824**	**35,137**	**14,507**	**574,257**	**485,410**	**43,382**	**2,743,503**

(*) The prior years' financial statements have been restated in order to conform to the presentation of the current period consolidated financial statements prepared within the framework of Communiqué No. XI-29 and related promulgations to it as issued by CMB.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER

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

	Notes	2009	2008
Operating activities:			
Income before tax		**576,443**	**29,121**
Adjustments to reconcile net cash provided from operating activities to income before taxes			
Changes in provisions	35	142,703	37,886
Depreciation and amortisation	26	181,553	166,090
Interest income	28	(36,100)	(16,928)
Interest expenses	29	282,688	467,112
Income from associates (net)	13	(5,567)	(12,473)
Loss from sales of tangible and intangible assets (net)	27	2,770	3,421
Income from sales of financial assets	27	(128,032)	-
		1,016,458	**674,229**
Changes in operating assets and liabilities (net)	35	842,987	(159,824)
Corporate taxes paid	30	(62,510)	(65,397)
Cash flows from operating activities		**1,796,935**	**449,008**
Investing activities:			
Cash provided from sales of tangible and intangible assets		2,536	4,958
Acquisition of tangible and intangible assets		(203,641)	(252,732)
Cash outflow due to acquisition of subsidiaries	3	-	(55,246)
Cash provided from sales of financial assets		266,799	-
Financial investments capital increase		-	(38,296)
Translation differences (net)		4,546	17,965
Cash flows from investing activities		**70,240**	**(323,351)**
Financing activities:			
Dividends paid	32	(3,140)	(102,037)
Interest paid		(320,873)	(464,382)
Interest received		36,100	16,928
Capital increase		249,975	33,185
Increase/(decrease) in bank borrowings (net)		(1,340,882)	404,743
Share premiums received		793	-
Cash flows from financing activities		**(1,378,027)**	**(111,563)**
Net increase in cash and cash equivalents		**489,148**	**14,094**
Cash and cash equivalents at 1 January		**415,586**	**401,492**
Cash and cash equivalents at 31 December		**904,734**	**415,586**

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

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Arçelik Anonim Şirketi (a Turkish corporation - "Arçelik" or "the Company") and its subsidiaries (collectively, "the Group") undertake all commercial and industrial activities in respect of the production, sales and marketing, customer services after sales, exportation and importation of consumer durable goods and consumer electronics. The Group operates eleven manufacturing plants in Turkey, Romania, Russia and China. The Company is a member of the Koç Group 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 with the Capital Markets Board ("CMB") and its shares have been quoted on the Istanbul Stock Exchange ("ISE") since 1986. At 31 December 2009, the publicly quoted shares are 23.26% of the total shares. At 31 December 2009, the principal shareholders and their respective shareholdings in the Company are as follows (Note 16):

	%
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 31 December 2009 is 16,775 (31 December 2008: 18,605).

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. (Beko France")	France	Sales	Consumer durables/Electronics
Beko Italy SRL ("Beko Italy")	Italy	Sales	Consumer durables/Electronics
Beko Llc. ("Beko Russia")	Russia	Production/Sales	Consumer durables/Electronics
Beko Magyarorszag K.F.T. ("Beko Magyarorszag")(*)	Hungary	Sales	Consumer durables/Electronics
Beko Plc. ("Beko UK")	UK	Sales	Consumer durables/Electronics
Beko Slovakia S.R.O. ("Beko Slovakia")	Slovakia	Sales	Consumer durables/Electronics
Beko S.A. ("Beko Polska")	Poland	Sales	Consumer durables/Electronics
Beko S.A. Czech Republic ("Beko Czech")	Czech Republic	Sales	Consumer durables/Electronics
Beko S.A. Hungary ("Beko Hungary")(*)	Hungary	Sales	Consumer durables/Electronics
Beko Shanghai Trading Company Ltd. ("Beko Shanghai")	China	Sales	Consumer durables/Electronics
Blomberg Vertriebsgesellschaft GmbH ("Blomberg Vertrieb") (*)	Germany	Sales	Consumer durables/Electronics
Blomberg Werke GmbH ("Blomberg Werke") (*)	Germany	Production	Consumer durables/Electronics
Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China")	China	Production/Sales	Consumer durables/Electronics
Elektra Bregenz AG ("Elektra Bregenz")	Austria	Sales	Consumer durables/Electronics
Fusion Digital Techology Ltd. ("Fusion Digital") (*)	UK	Technology	Electronics
Grundig Multimedia B.V. ("Grundig Multimedia")	Netherlands	Investment	Holding
Grundig AG ("Grundig Switzerland") (*)	Sweden	Sales	Electronics
Grundig Benelux B.V. ("Grundig Benelux") (*)	Netherlands	Sales	Electronics
Grundig Ceska Republika S.r.o ("Grundig Ceska") (*)	Czech Republic	Sales	Electronics
Grundig 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 Norge AS ("Grundig Norway")	Norway	Sales	Electronics
Grundig 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 Svenska 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.

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"). The Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes Communiqué No. XI-25, "The Accounting Standards in the Capital Markets". According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") issued by the TASB which are in line with the aforementioned standards shall be considered.

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

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

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

The preparation of financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the group's accounting policies. The significant assumptions and estimates applied in the preparation of the consolidated financial statements, are disclosed in note 2.5.

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

Changes in International Financial Reporting Standards (IFRS)

a) *Standards, amendments and interpretations, effective in 2009 and relevant to the Group's operations*

- IAS 1, "Presentation of financial statements" comprehensive changes related with the statement of comprehensive income in equity
- IAS 23 (Revised), "Borrowing costs" comprehensive changes related with preventing the immediately expensing of the borrowing costs
- IAS 32, "Financial instruments: Presentation" – Puttable financial instruments and obligations arising on liquidation
- IFRS 2, "Share-based payment"
- IFRS 8, "Operating segments"
- IFRS 7, "Financial instruments : Disclosures"
- IFRIC 15, "Agreements for the construction of the real estates"
- IFRIC 16, "Hedges of a net investment in a foreign operation"

b) *Standards, amendments and interpretations to existing standards that are not yet effective in 2009 and have not been early adopted by the group*

Effective from 1 July 2009

- IAS 27 (Revised), "Consolidated and separate financial statements"
- IAS 31 (Revised), "Interests in joint ventures" changes on the application
- IAS 38 (Revised), "Intangible assets"
- IFRS 3 (Revised), "Business combinations"
- IFRIC 17, "Distributions of non-cash assets to owners"

Effective for the accounting periods beginning on or after 1 January 2010:

- IAS 1 (Revised), "Presentation of financial statements"
- IAS 24 (Revised) "Related part explanations"
- IFRS 2 (Revised), "Share based payments
- IFRS 5 (Revised), "Non-current assetsheld for sale and discontinued operations"

Group will evaluate the effect of the aforementioned changes within its operations and apply changes starting from 1 January 2010. It is expected that the application of the standards and the interpretations above will not have a significant effect on the consolidated financial statements of the Group.

Functional and presentation currency

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

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

Financial statements of foreign subsidiaries

Financial statements of subsidiaries operating in foreign countries are prepared according to the legislation 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 "translation reserves" under the shareholders' equity.

Consolidation Principles

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

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

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

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

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

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

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

	31 December 2009		31 December 2008	
	Ownership interest	**Economic İnterest**	**Ownership interest**	**Economic interest**
Archin Limited (1)	100.00	100.00	100.00	-
Arctic	96.68	96.68	96.68	96.68
Arctic Pro (1)	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	99.97	99.97	99.97	99.97
Beko France	99.96	99.96	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 (1)	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 (2)	100.00	100.00	100.00	100.00
Grundig Elektronik (2)	-	-	83.03	83.03
Grundig Multimedia (2)	100.00	100.00	100.00	83.03
Grundig Austria (2)	100.00	100.00	100.00	83.03
Grundig Benelux (2)	100.00	100.00	100.00	83.03
Grundig Czech Republic (2)	100.00	100.00	100.00	83.03
Grundig Denmark (2)	100.00	100.00	100.00	83.03
Grundig Espana (2)	100.00	100.00	100.00	83.03
Grundig Finland (2)	100.00	100.00	100.00	83.03
Grundig S.A.S. (Grundig France) (3)	-	-	100.00	83.03
Grundig Intermedia (2)	100.00	100.00	100.00	83.03
Grundig Italy (2)	100.00	100.00	100.00	83.03
Grundig Hungary (2)	100.00	100.00	100.00	83.03
Grundig Norway (2)	100.00	100.00	100.00	83.03
Grundig Portugal (2)	100.00	100.00	100.00	83.03
Grundig Polska (2)	100.00	100.00	100.00	83.03
Grundig Slovakia (2)	100.00	100.00	100.00	83.03
Grundig Sweden (2)	100.00	100.00	100.00	83.03
Grundig Switzerland (2)	100.00	100.00	100.00	83.03
Raupach	100.00	100.00	100.00	100.00

(1) Included in the scope of consolidation as of 31 December 2009.

(2) As discussed in Note 3, Grundig Elektronik merged with Arçelik. With the dissolution of Grundig Elektronik as of 30 June 2009, ownership interests and economic interest in the related subsidiaries have been changed as above.

(3) Merged with Beko France as of 31 December 2009.

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

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

Subsidiaries, in which the Group has ownership interests over 50% and which are immaterial, are carried at cost, less any provision for impairment. Subsidiaries are excluded from the scope of consolidation are disclosed in Note 7.

(d) Joint Ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by Arçelik and one or more other parties (Note 4). The Group's interest in Joint Ventures is accounted for by way of proportionate consolidation. According to this method, the Group includes its share of the assets, liabilities, income and expenses of each Joint Venture in the relevant components of the financial statements.

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

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables or the significant influence ceases the Group does not continue to apply the equity method, unless it has incurred obligations or made payments on behalf of the associate. Subsequent to the date of the caesura of the significant influence the investment is carried either at fair value when the fair values can be measured reliably or otherwise at cost when the fair values cannot be reliably measured.

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

	2009	**2008**
Arçelik - LG	45.00	45.00
Koç Tüketici Finans	47.00	47.00
Ram Dış Ticaret	33.50	33.50
Tanı Pazarlama	32.00	32.00

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

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

(g) The minority shareholders' share in the net assets and results of Subsidiaries for the year are separately classified as minority interest in the consolidated balance sheets and statements of income.

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

Going Concern

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

Offsetting

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

Comparatives and restatement of prior periods' financial statements

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

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 year 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 TRY76,751 in the Group's consolidated net sales income and sales and marketing expenses for the year ended 31 December 2008.

The Group's receivables and payables resulting from sales and purchases conducted via Ram Dış Ticaret to its subsidiaries have been netted-off in the consolidated financial statements due to the fact that these sales are assessed as intergroup transactions. As a result of the aforementioned change, the Group's trade receivables and payables have decreased by TRY69,428.

2.2 Restatement and Errors in the Accounting Policies and Estimates

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

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

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

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

2.4 Summary of significant accounting policies

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

Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by/or affiliated with them, associated companies and other companies within the Koç Holding group are considered and referred to as related parties (Note 32).

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

Trade receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortised cost. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant (Note 10).

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

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income (Note 27).

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

Credit finance income/charges

Credit finance income/charges represent imputed finance income/charges on credit sales and purchases. Such income/charges calculated by using the effective interest method are recognised as financial income or expenses over the period of credit sale and purchases, and included under financial income and expenses (Notes 28, 29).

Inventories

Inventories are valued at the lower of cost or net realisable value. Cost elements included in inventories are materials, labour and an appropriate amount for factory overheads. The cost of borrowings is not included in the costs of inventories. The cost of inventories is determined on the weighted average basis for each purchase. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses (Note 12).

Financial investments

Classification

The group classifies its financial assets in the following categories: loans and receivables and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

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

(b) Available-for-sale financial assets

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

(c) Derivative financial instruments

The derivative financial instruments of the Group mainly consist of foreign exchange forward contracts and foreign currency and interest rate swap transactions. These derivative financial instruments, even though providing effective economic hedges under the Group risk management position, do not qualify for hedge accounting under the requirements of IAS 39, "Financial Instruments: Recognition and Measurement", and therefore are accounted for as derivatives held-for-trading in the consolidated financial statement.

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

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gains and losses from investment securities".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Held-for-trading derivative financial instruments are initially recognised in the consolidated financial statements at cost and are subsequently remeasured at their fair value. Changes in the fair values of held-for-trading derivative financial instruments are included in the consolidated statements of income.

Forward foreign exchange contracts are valued at quoted market prices or discounted cash flow models as appropriate. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative (Note 9).

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

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in the related accounting policies.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (Note 6).

Investment property

Buildings held for rental yields or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as "investment property". Investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses. Investment properties are depreciated with the straight-line depreciation method over their useful lives (Note 14).

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

Property, plant, equipment and related depreciation

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

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

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

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

Gains or losses on disposals of property, plant and equipment are included in the related income or expense accounts, as appropriate.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the company. Repairs and maintenance are charged to the statements of income during the financial year in which they are incurred (Note 15).

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuous use and depreciation and amortisation charges for those assets are ceased. Non-current assets classified as held for sale are measured at the lower of carrying amounts and fair values less costs to sell.

Intangible assets

Intangible assets are comprised of acquired brands, trademarks, patents, developments costs and computer software (Note16).

a) Brands

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

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

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

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

b) Trademark licenses and patents

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

c) Development costs

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

d) Computer software

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

Business combinations and goodwill

A business combination is the bringing together of separate entities or businesses into one reporting entity. Business combinations are accounted for using the purchase method in the scope of IFRS 3.

The cost of a business combination is the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree and in addition, any costs directly attributable to the business combination. If a business combination contract includes clauses that enable adjustments in the cost of business combination depending on events after acquisition date; in case the adjustment is measurable and more probable than not, than cost of business combination at acquisition date is adjusted.

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

Goodwill recognised in business combinations is tested for impairment annually (as of 31 December) or more frequently if events or changes in circumstances indicate impairment, instead of amortisation (Note 3, 17). Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

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

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

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

Transactions with minority shareholders

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

Financial Leases

(1) The Group as the lessee

Finance leases

Assets acquired under finance lease agreements are capitalised at the inception of the lease at the fair value of the leased asset, net of grants and tax credits receivable, or at the present value of the lease payment, whichever is the lower. Lease payments are treated as comprising capital and interest elements, the capital element is treated as reducing the capitalised obligation under the lease and the interest element is charged as expense to the statement of income. Depreciation on the relevant asset is also charged to the statement of income over its useful life.

Operational leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

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

(2) The Group as the lessor

Operational leases

Assets leased out under operating leases are classified under property, plant and equipment in the consolidated balance sheet and rental income is recognised on a straight-line basis over the lease term.

Financial liabilities and borrowing costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the period of the borrowings. Borrowing costs are charged to the income statement when they are incurred (Note 8). Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Current and deferred income tax

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

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

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date (Note 30).

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

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

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

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

Trade payables

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

Employment termination benefits

Employment termination benefits, as required by the Turkish Labour Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees, termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service (Note 21). Provision which is allocated by using defined benefit pension's current value is calculated by using estimated liability method. All actuarial profits and losses are recognised in consolidated statements of income.

Foreign currency transactions

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TRY at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from the settlement and translation of foreign currency items have been included in the consolidated statements of income.

Revenue recognition

Revenues are recognised on an accrual basis at the fair values incurred or to be incurred when the goods are delivered, the risks and rewards of ownership of the goods are transferred, when the amount of revenue can be reliably measured and it is probable that the future economic benefits associated with the transaction will flow to the entity. Net sales represent the fair value of goods shipped less sales discounts and returns. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised in the period on an accrual basis as financial income (Notes 28 and 29).

Interest income is recognised on a time proportion basis that takes into account the effective yield on the assets.

Investment, research and development incentives

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

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

Dividends

Dividends receivable are recognised as income in the period when they are declared. Dividends payable are recognised as an appropriation of profit in the period in which they are declared (Note 23).

Warranty expenses

Warranty expenses are recorded as a result of repair and maintenance expenses for products produced and sold, authorised services' labour and material costs for products under the scope of the warranty terms without any charge to the customers, initial maintenance costs and estimated costs based on statistical information for possible future warranty services and returns of products with respect to the products sold during the period (Note 20).

Paid-in capital

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

Share premium

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

Provisions

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

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated balance sheets and are disclosed as contingent assets or liabilities (Note 19).

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

Earnings per share

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

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

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the steering committee that makes strategic decisions. (Note 5)

Reporting of cash flows

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash and cash equivalents with maturity periods of less than three months.

The analysis of cash and cash equivalents included in the consolidated statements of cash flows for the years ended 2009 and 2008 are as follows:

	2009	**2008**
Cash and cash equivalents - maturities of less than 3 months (Note 6)	904,734	415,586
	904,734	**415,586**

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

2.5 Critical accounting estimates and judgements

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

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

In accordance with the accounting policy for the intangible assets which have indefinite useful lives and goodwill stated in Note 2.3, these assets are reviewed for impairment annually or whenever events or changes in circumstances indicate impairment by the Group. The recoverable amounts of the cash-generating units are determined using the methods of value in use and royalty relief. Certain estimates were used in these calculations (Notes 16 and 17). Impairment was not identified as a result of these tests.

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

The fair value of the available-for-sale financial instruments that are not traded in an active market have been calculated by using references to the uncollusive market transactions, the fair values of the similar instruments and the discounted cash flows analysis (Note 7).

NOTE 3 - BUSINESS COMBINATIONS

As of 30 June 2009 Grundig Elektronik A.Ş., a subsidiary of the Group, which was operating in production, sales, export and import of television, computer, cash register and miscellaneous consumer electronics, merged with Arçelik A.Ş., the parent company of the Group.

On 27 May 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 31 December 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 29 June 2009, Grundig Elektronik was dissolved on 30 June 2009 and, at the same date, the merger of Arçelik and Grundig Elektronik was realised. The pre-merger issued capital of Arçelik, which was TRY659,934, increased to TRY675,728 with an increase of TRY15,794 as a result of the merger. This increased capital, registered as of 30 June 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 10 July 2009; Grundig Elektronik was delisted from the İstanbul Stock Exchange as of the same date. Arçelik shareholders and related shares are shown in Note 23.

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

NOTE 3 - BUSINESS COMBINATIONS (Continued)

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

Business combinations in 2008

Grundig Elektronik, a Subsidiary of the Group, acquired 50% shares of Grundig Multimedia B.V., a Joint Venture of the Group, from Alba Europe Ltd, its joint venture partner on 31 March 2008. Thus, the shares of Grundig Elektronik in Grundig Multimedia B.V. increased to 100%.

The details of the net assets acquired and the goodwill are as follows:

Cash paid (1)	70,547
Costs directly attributable to the acquisition	302
Liabilities attributable to the acquisition (2)	13,595
Total purchase consideration	84,444
Fair value of net assets acquired	(73,891)
Goodwill at acquisition date	**10,553**

(1) The portion of the purchase consideration amounting to EUR35,000,000 paid in cash during the share transfer.

(2) The portion of the purchase consideration which was determined as certain percentages of revenues earned under Grundig brand in United Kingdom and Ireland between the years 2008 and 2012 and will be paid in five years instalments. The percentages are 4% for the years 2008-2010 (the consideration will not exceed EUR2,000,000 for the year 2008 and EUR3,000,000 per annum for the years 2009 and 2010) and 2% for the years 2011 and 2012.

The details of identifiable assets and liabilities arising from the acquisition are as follows:

	Carrying value	Fair value
Cash and cash equivalents	15,603	15,603
Trade receivables	91,869	91,869
Due from related parties	223	223
Inventories	60,509	60,509
Other current assets	4,208	4,208
Financial investments	36	36
Investment property	4,170	4,170
Property, plant and equipment	1,047	1,047
Intangible assets	22,600	94,301
Other non-current assets	432	432
Financial liabilities	(11,304)	(11,304)
Trade payables	(9,952)	(9,952)
Due to related parties	(103,794)	(103,794)
Deferred tax liabilities	(3,328)	(21,612)
Other liabilities	(51,845)	(51,845)
Net assets acquired (50%)	**20,474**	**73,891**

NOTE 3 - BUSINESS COMBINATIONS (Continued)

The details of cash outflow on acquisition are as follows:

Cash paid	70,547
Costs directly attributable to the acquisition	302
Cash and cash equivalents - acquired	(15,603)
Cash outflow on acquisition (net)	**55,246**

NOTE 4 - JOINT VENTURES

Grundig Multimedia became a subsidiary as a result of the Group's acquisition of 50% shares of the Company on 31 March 2008.

NOTE 5 - 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 air conditioners with similar features to these products in the white goods segment and the services provided for these products. Although each of the products mentioned above in the white goods segment constitutes a separate operational segment, they have been reported together since these products have similar economic characteristics and the quality of the products together with the quality of the production process, consumer types and transportation methods have similar features. The consumer goods 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, furniture and kitchen gadgets except products included in white goods and consumer goods.

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

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

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

NOTE 5 - SEGMENT REPORTING (Continued)

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

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

	White Goods	Consumer Electronics	Other	Total
Total segment revenue	4,396,194	1,191,600	1,004,101	6,591,895
Gross profit	1,756,029	261,502	156,472	2,174,003
Depreciation and amortisation	121,637	55,946	7,811	185,394
Capital expenditures	167,694	34,405	5,383	207,482
Income from associates	-	-	5,567	5,567

b) Operational segments which have been prepared in accordance with the reportable segments for the year ended 31 December 2008 are as folllows:

	White Goods	Consumer Electronics	Other	Total
Total segment revenue	4,248,517	1,420,471	1,183,301	6,852,289
Gross profit	1,505,923	262,508	178,566	1,946,997
Depreciation and amortisation	120,517	40,745	7,687	168,949
Capital expenditures	207,761	142,389	4,959	355,109
Income from associates	-	-	12,473	12,473

c) Sales revenue that are grouped geographically for the year ended 31 December are shown below:

31 December 2009	Turkey	Europe	Other	Total
Total segment revenue	3,169,999	2,663,008	758,888	6,591,895
Income from associates	5,567	-	-	5,567

31 December 2008	Turkey	Europe	Other	Total
Total segment revenue	3,420,157	2,650,412	781,720	6,852,289
Income from associates	12,473	-	-	12,473

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

NOTE 6 - CASH AND CASH EQUIVALENTS

	2009	2008
Cash in hand	268	287
Cash at banks		
- demand deposits	44,806	42,296
- time deposits	821,238	329,067
Cheques and notes	37,646	42,490
Others	776	1,446
	904,734	**415,586**

The maturities of cash and cash equivalents are as follows:

Up to 30 days	692,983	328,016
30 - 90 days	211,751	87,570
	904,734	**415,586**

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

USD	0.54	7.39
EUR	0.28	3.55
RON	7.45	11.06
GBP	0.19	1.29
TRY	9.70	-

NOTE 7 - FINANCIAL INVESTMENTS

Non-current financial investments

	2009	2008
Available-for-sale investments	395,814	540,182
Financial assets excluded from the scope of consolidation	-	3,261
	395,814	**543,443**

a) Available-for-sale investments

	31 December 2009		31 December 2008	
	%	TRY	%	TRY
Koç Finansal Hizmetler A.Ş.	3.98	394,303	7.66	520,832
Entek Elektrik Üretimi A.Ş.	-	-	6.86	16,797
Other		1,511		2,553
		395,814		**540,182**

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

NOTE 7 - FINANCIAL INVESTMENTS (Continued)

	2009	**2008**
Balance at the beginning of the period	**540,182**	**711,585**
Fair value gains/(losses)	124,327	(209,729)
Capital increase	-	38,296
Increase in shares due to business combination	-	23
Acquitions	-	7
Disposal of available for sale investment - fair value reserve	(128,028)	-
Disposal of available for sale investment - carrying value	(138,766)	-
Impairment of financial assets	(1,901)	-
Balance at the end of the period	**395,814**	**540,182**

The unrealised gain (net) arising from changes in the fair value of the investments amounting to TRY118,111, net of deferred tax effect amounting to TRY6,216, are recognised in consolidated shareholders' equity under the "financial assets fair value reserve" at 31 December 2009 (31 December 2008: TRY199,242).

Since the shares of Yapı ve Kredi Bankası are traded in İstanbul Stock Exchange, the fair value of Koç Finansal Hizmetler, the majority shareholder of Yapı ve Kredi Bankası (81.80%) and the unlisted available-for-sale investment of the Group, has been determined by using the existing market value of Yapı ve Kredi Bankası and the aforementioned calculation has been supported by the income method and 13.6 % discount rate has been taken into consideration for aforementioned calculation

b) Financial assets excluded from the scope of consolidation

	31 December 2009		**31 December 2008**	
	%	**TRY**	**%**	**TRY**
Beko Shanghai(*)	-	-	100.00	3,259
ArticPro SRL (*)	-	-	100.00	2
		-		**3,261**

(*) Have been implicated to the scope of consolidation as of 31 December 2009.

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

NOTE 8 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	2009	**2008**
Short-term bank borrowings	332,398	1,006,793
Short-term portion of long-term bank borrowings	1,590,798	907,389
Other	531	323
	1,923,727	**1,914,505**

Short-term bank borrowings

TRY loans	9,612	798,227
Foreign currency loans	322,786	152,727
Eximbank loans	-	55,839
	332,398	**1,006,793**

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

	2009	**2008**
TRY loans	-	22.66
Foreign currency loans	3.16	6.76

Since short-term financial liabilities are current liabilities, carrying values are estimated to be approximately equal to their fair values.

b) Long-term financial liabilities

	2009	**2008**
Long-term bank borrowings	187,946	1,576,303
Other	368	300
	188,314	**1,576,603**

As of 31 December 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 fair value of the short-term portion of the long-term borrowings and the long-term borrowings is equal to TRY1,788,739 (2008: TRY2,478,861).

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

NOTE 8 - FINANCIAL LIABILITIES (Continued)

As of 31 December 2008, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate (%)	Original currency	TRY amount
TRY	19.56	1,346,093,255	1,346,093
EUR	6.01	420,894,563	901,051
USD	6.98	156,415,663	236,548
			2,483,692
Less: Current maturities			(907,389)
			1,576,303

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

	2009	2008
2010	-	1,305,634
2011	151,941	198,195
2012	36,005	72,474
	187,946	**1,576,303**

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

	2009	2008
Up to 6 months	2,092,105	2,735,505
6 - 12 months	19,037	108,124
1 - 3 years	-	573,884
3 - 5 years	-	72,972
	2,111,142	**3,490,485**

NOTE 9 - OTHER FINANCIAL LIABILITIES

Derivative financial instruments

	31 December 2009			31 December 2008		
	Contract amount	Fair Value Assets	Fair Value (Liabilities)	Contract amount	Fair Value Assets	Fair Value (Liabilities)
Foreign currency forward contracts	433,446	4,204	(643)	475,256	26,039	(5,453)
Foreign currency swap contracts	100,265	240	(55)	129,293	-	(80)
		4,444	**(698)**		**26,039**	**(5,533)**

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

NOTES 10 - TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables	**2009**	**2008**
Trade receivables	1,276,876	1,438,111
Notes receivables	962,125	1,179,681
Cheques receivables	130,490	116,086
Due from related parties (Note 32)	26,217	51,575
	2,395,708	**2,785,453**
Less: Provision for doubtful receivables	(107,312)	(94,625)
Less: Unearned credit finance income	(55,385)	(115,329)
Short-term trade receivables (net)	**2,233,011**	**2,575,499**

Movement of provision for doubtful receivables are as follows:

	2009	**2008**
Balance at the beginning of the year	**94,625**	**66,520**
Current year additions (Note 27)	19,618	10,349
Acquisitions	-	8,025
Collection of doubtful receivables (Note 27)	(3,855)	(3,274)
Translation differences	(3,076)	13,005
Balance at the end of the year	**107,312**	**94,625**

The aging schedule of the impaired doubtful receivables is as follows:

	2009	**2008**
0-3 months	9,111	3,725
3-6 months	3,466	4,840
6 months and over	94,735	86,060
	107,312	**94,625**

Long-term trade receivables	**2009**	**2008**
Trade receivables	4,254	9,060
	4,254	**9,060**

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

NOTE 10 - TRADE RECEIVABLES AND PAYABLES (Continued)

Short-term trade payables	**2009**	**2008**
Trade payables	655,439	568,837
Due to related parties (Note 32)	111,429	73,727
Unearned credit finance charges	(4,466)	(6,665)
	762,402	**635,899**

Long-term trade payables	**2009**	**2008**
Due to related parties (Note 32)	67,380	72,955
	67,380	**72,955**

NOTE 11 - OTHER RECEIVABLES AND PAYABLES

Other payables	**2009**	**2008**
Taxes and duties payables	70,549	49,264
Payables to personnel	29,427	27,775
Deposits and guarantees received	2,420	1,461
Others	2,137	5,335
	104,533	**83,835**

NOTE 12 - INVENTORIES

	2009	**2008**
Raw materials and supplies	520,057	623,993
Work in progress	33,859	38,924
Finished goods	327,956	454,016
Trade goods	123,253	235,104
	1,005,125	**1,352,037**
Less: Provision for impairment on inventories	(98,339)	(48,106)
	906,786	**1,303,931**

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

NOTE 12 - INVENTORIES (Continued)

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

	2009	2008
Raw materials and supplies	67,894	16,815
Finished goods	14,532	21,037
Trade goods	15,913	10,254
	98,339	**48,106**

Movement of provision for impairment on inventories as of 31 December is as follows:

	2009	2008
Balance at the beginning of the year	**48,106**	**45,771**
Current year additions (Note 27)	73,871	10,719
Acquisitions	-	6,336
Realised due to sales of inventory	(19,733)	(11,948)
Provisions no longer required	(4,257)	(6,842)
Translation differences	352	4,070
Balance at the end of the year	**98,339**	**48,106**

NOTE 13 - ASSOCIATES

	31 December 2009		31 December 2008	
	%	TRY	%	TRY
Koç Tüketici Finansmanı A.Ş.	47.00	59,592	47.00	57,882
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	45.00	57,926	45.00	58,089
Ram Dış Ticaret A.Ş.	33.50	7,583	33.50	5,367
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	32.00	4,068	32.00	2,264
		129,169		**123,602**

	2009	2008
Balance at the beginning of the period	**123,602**	**111,129**
Income from associates (net)	5,567	12,473
Balance at the end of the period	**129,169**	**123,602**

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

NOTE 13 - ASSOCIATES (Continued)

Income from associates

	2009	2008
Ram Dış Ticaret A,Ş,	2,216	785
Tanı Pazarlama ve İletişim Hizmetleri A,Ş,	1,803	329
Koç Tüketici Finansmanı A.Ş.	1,711	7
Arçelik LG Klima Sanayi ve Ticaret A,Ş,	(163)	11,352
	5,567	**12,473**

The summary financial statements of associates

	2009	2008
Total assets	1,385,635	1,613,465
Total liabilities	1,094,769	1,341,046
Sales revenues	1,072,310	1,165,754
Net income for the year	18,002	24,859

NOTE 14 - INVESTMENT PROPERTY

	2009	2008
As of 1 January		
Cost	12,123	4,808
Accumulated depreciation	(3,335)	(1,345)
Net book value	**8,788**	**3,463**
Net book value at the beginning of the year	**8,788**	**3,463**
Acquisitions (Note 3)	-	4,170
Transfers	398	-
Translation differences	68	1,223
Current year depreciation	(133)	(68)
Impairment	(2,777)	-
Net book value at the end of the year	**6,344**	**8,788**
As of 31 December		
Cost	12,711	12,123
Accumulated depreciation	(6,367)	(3,335)
Net book value	**6,344**	**8,788**

As of 31 December 2009, the book value of Groups' investment property represents their fair value. This value has been calculated with market value approach, which is supported by income approach.

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

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT

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

There is no mortgage on property, plant and equipment as of 31 December 2009.

	1 January 2008	(1) Acquisition	Additions	Disposals	Transfers	Translation differences	31 December 2008
Cost							
Land	16,225	-	99	(450)	(690)	786	15,970
Land improvements	27,378	-	610	(9)	-	43	28,022
Buildings	489,767	31	4,698	(473)	17,097	14,723	525,843
Machinery and equipment	2,328,562	1,115	86,208	(45,718)	86,760	24,142	2,481,069
Motor vehicles, furniture and fixtures	196,136	1,205	14,267	(8,337)	1,454	3,882	208,607
Leasehold improvements	34,544	-	421	-	-	(112)	34,853
Construction in progress	25,843	96	87,521	(405)	(104,621)	1,403	9,837
	3,118,455	**2,447**	**193,824**	**(55,392)**	**-**	**44,867**	**3,304,201**
Accumulated Depreciation							
Land improvements	(13,120)	-	(1,062)	9	-	-	(14,173)
Buildings	(143,132)	(96)	(10,836)	1,086	(21)	(2,157)	(155,156)
Machinery and equipment	(1,587,864)	(466)	(121,547)	38,864	527	(9,295)	(1,679,781)
Motor vehicles, furniture and fixtures	(147,099)	(838)	(12,863)	7,107	(506)	(2,421)	(156,620)
Leasehold improvements	(21,190)	-	(4,996)	-	-	48	(26,138)
	(1,912,405)	**(1,400)**	**(151,304)**	**47,066**	**-**	**(13,825)**	**(2,031,868)**
Net book value	**1,206,050**						**1,272,333**

There is no mortgage on property, plant and equipment as of 31 December 2008.

(1) Property, plant and equipment with a net book value of TRY1,047 is related to the acquisition of Grundig (Note 3).

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

NOTE 16 - INTANGIBLE ASSETS

	2009	**2008**
As of 1 January		
Cost	473,977	231,150
Accumulated amortisation	(71,762)	(54,903)
Net book value	**402,215**	**176,247**
Net book value at the beginning of the year	**402,215**	**176,247**
Acquisitions (Note 3)) (*)	-	94,301
Fair value differences (*)	-	71,701
Additions	62,407	61,767
Disposals	(184)	(53)
Translation differences	2,607	15,829
Transfers	2,100	-
Current period amortisation	(29,152)	(17,577)
Net book value at the end of the year	**439,993**	**402,215**

As of 31 December	**2009**	**2008**
Cost	539,682	473,977
Accumulated amortisation	(99,689)	(71,762)
Net book value	**439,993**	**402,215**
Brands and rights	300,613	299,456
Development costs	130,939	93,745
Other	8,441	9,014
Total	**439,993**	**402,215**

(*) As a result of the Grundig acquisition (50%) realised in 2004, the corresponding 50% of intangible assets had been accounted for. According to the Grundig acquisition realised in 2009 (the other 50%), all the intangible assets with the net book value amounting to TRY45,200 have been accounted for with their total fair value determined as TRY188,602 (Grundig brand: TRY173,446, trademark licences: TRY13,061, other: TRY2,095) in accordance with IFRS 3. Consequently, the portion related to the acquisition in 2008 (50%: TRY94,301) has been accounted for as the acquisition, and the difference between the portion related to the acquisition realised in 2004 (50%: TRY94,301) and the net book value (50%: TRY22,600) has been accounted for as fair value gain (TRY71,701).

Brand impairment test

Brands were tested for impairment using the royalty relief method as of 31 December 2009. Sales forecasts which are based on financial budgets approved by the board of directors covering a three to five-year period were considered in the determination of the brand value. Sales forecasts beyond the three and five-year period are extrapolated with 2.50% expected growth rate. The estimated royalty income is calculated by applying the expected 2% to 3% royalty rate. The royalty income calculated with the stated method have been discounted with 9% to 10.41% discount rates

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

NOTE 17 - GOODWILL

	2009	2008
Net book value at the beginning of the year - 1 January	**10,255**	**3,377**
Acquisitions	-	10,553
Effect of the change in contingent liabilities attributable to acquisition (*)	(2,807)	(4,332)
Translation difference	63	657
Net book value at the end of the year - 31 December	**7,511**	**10,255**

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

Goodwill impairment test

As of 31 December 2009, the carrying value of goodwill was tested for impairment by comparison with its recoverable amount. The recoverable amount was determined on the basis of value in use calculations. Pre-tax cash flow projections based on financial budgets approved by the board of directors covering a five-year period were used in. Pre-tax cash flow projections beyond five-year period are extrapolated by 2.50% expected growth rates. The estimated cash flows are discounted to their present values with 9.00% before tax ratio. No impairment was identified as a result of the impairment test.

NOTE 18 - GOVERNMENT GRANTS

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

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

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

NOTE 19 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Commitments and contingent liabilities are as follows:

	2009	2008
Operational financial lease commitments	10,192	14,832

The company has export commitment of USD898,827,150 in scope of export incentive as of 31 December 2009 (31 December 2008: USD896,927,036)

Derivative financial instruments

31 December 2009	Foreign exchange purchase commitment	Forward exchange sales commitment
EUR	59,329,531	34,665,549
USD	39,304,416	-
TRY	165,900,900	50,058,758
GBP	4,778,400	162,465,600
RUB	-	12,229,717
PLN	-	4,979,000

31 December 2008	Foreign exchange purchase commitment	Forward exchange sales commitment
EUR	114,437,460	67,955,000
USD	89,500,000	3,026,000
TRY	10,748	64,686
GBP	-	67,506,000
PLN	-	16,480,980

Contingent assets and liabilities are as follows:

	2009	2008
Collateral obtained	1,812,962	1,758,941

CPM's given by the company (Collaterals, Pledges, Mortgages)	**2009**	**2008**
A. CPM's given for companies own legal personality	89,724	125,041
B. CPM's given on behalf of fully consolidated companies	216	1,284
C. CPM's given for continuation of its economic activities on behalf of third parites	-	-
D. Total amount of other CPM's	-	-
i) Total amount of CPM's given on behalf of the majority shareholder	-	-
ii) Total amount of CPM's given to on behalf of other Group companies which are not in scope of B and C.	-	-
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C.	-	-
	89,940	**126,325**

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

NOTE 20 - PROVISIONS

Short-term provisions	**2009**	**2008**
Warranty provision	109,543	94,218
Assembly provision	36,226	40,728
Provision for cost and expenses	10,239	9,442
Provision for transportation costs	6,298	7,415
Other	42,353	46,491
	204,659	**198,294**

Long-term provisions	**2009**	**2008**
Warranty provision	58,603	51,154
Other	2,158	2,043
	60,761	**53,197**

NOTE 21 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

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

The amount payable consists of one month's salary limited to a maximum of TRY2,365.16 (31 December 2008: TRY2,173.19) for each period of service at 31 December 2009.

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

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

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

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

NOTE 21 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (Continued)

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

	2009	**2008**
Discount rate (%)	5.92	6.26
Rate used to estimate the probability of retirement (%)	99	97

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TRY2,427.04 (1 January 2008: TRY2,087.92) which is effective from 1 January 2009 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

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

	2009	**2008**
Balance at the beginning of the year	**60,217**	**56,155**
Interest expense	3,457	3,515
Actuarial losses	386	688
Increase during the year	36,848	22,323
Payments during the year	(15,538)	(22,731)
Translation differences	(35)	267
Balance at the end of the year	**85,335**	**60,217**

NOTE 22 - OTHER ASSETS AND LIABILITIES

Other current assets	**2009**	**2008**
Taxes and funds deductible	36,579	16,773
Prepaid taxes and funds	26,842	34,660
VAT and PCT receivables	15,823	15,236
Prepaid expenses	10,541	16,590
Assets held for sale	3,628	2,909
Other order advances given	2,765	4,973
Income accruals	2,234	1,183
Advances given for inventory	1,427	5,377
Other	9,141	5,471
	108,980	**103,172**

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

NOTE 22 - OTHER ASSETS AND LIABILITIES (Continued)

Other current liabilities	**2009**	**2008**
Accruals for customer premiums	62,873	59,687
Advances received	61,076	44,732
Accruals for sales and marketing expenses	18,121	17,832
Accruals for licence fee expenses	15,228	18,598
Accruals for advertising expenses	6,383	2,587
Liabilities attributable to the acquisition	1,817	2,002
Accruals for bonuses and premiums	1,258	569
Other	2,532	3,492
	169,288	**149,499**

Other non-current liabilities	**2009**	**2008**
Liabilities attributable to the acquisition	3,557	8,106
Other	2,944	4,295
	6,501	**12,401**

NOTE 23 - 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:

	2009	**2008**
Limit on registered share capital	1,500,000	1,500,000
Issued share capital in nominal value	675,728	399,960

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

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

NOTE 23 - EQUITY (Continued)

The shareholding structures of the Company are as follows:

	31 December 2009		31 December 2008	
Shareholders	**Share %**	**Amount**	**Share %**	**Amount**
Koç Holding A.Ş.	40.51	273,742	39.14	156,546
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A,Ş,	12.05	81,428	14.68	58,709
Koç Ailesi	8.67	58,591	9.81	39,252
Burla Ticaret ve Yatırım A,Ş,	7.48	50,572	7.66	30,649
Koç Holding Emekli ve Yardım Sandığı Vakfı	5.14	34,722	4.50	17,982
Other	26.15	176,673	24.21	96,822
Paid-in share capital	**100.00**	**675,728**	**100.00**	**399,960**
Adjustment to share capital (*)		**468,811**		**468,811**
Total share capital		**1,144,539**		**868,771**

(*) "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.

Additional contribution to shareholders' equity related to the merger

As of 30 June 2009, total minority interest related to Grundig Elektronik amounts to TRY34,341. Of this minority interest, TRY15,794 and TRY4,040 have been transferred to the paid-in capital and legal reserves, respectively. The remaining TRY14,507 has been classified as "Additional contribution to shareholders' equity related to the merger" under equity.

Revaluation Fund

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

	2009	**2008**
Financial assets fair value reserve (net)	237,989	241,506
Non-current assets fair value reserve (net) (*)	45,569	46,396
Total revaluation funds (net)	**283,558**	**287,902**

(*) Consists of the differences (net-off minority interests and deferred tax) between the carrying value and the fair value of the intangible assets (e.g. brand) revalued in accordance with IFRS 3 as a result of the Grundig Multimedia acquisition.

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

NOTE 23 - EQUITY (Continued)

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

Restricted Reserves

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

The details of these restricted reserves are as follows:	**2009**	**2008**
Legal reserves	157,660	157,660
Contribution to shareholders equity due to merger	4,040	-
Special reserves	124	124
Total	**161,824**	**157,784**

Accumulated profits

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

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

- the difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital";

- the difference due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount that has not been utilised in dividend distribution or capital increase yet, shall be classified under "Prior years' income".

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

NOTE 23 - EQUITY (Continued)

Dividend Distribution

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

In accordance with the CMB Decision No. 02/51 and dated 27 January 2010, concerning allocation basis of profit from operations of 2009, minimum profit distribution will not be applied for the year 2009 (31 December 2008: 20%). According to the Board's decision and Communiqué No. IV-27 issued by the CMB regarding the allocation basis of profit of publicly owned companies, the distribution of the relevant amount may be realised as cash or as bonus shares or partly as cash and bonus shares; and in the event that the first dividend amount to be specified is less than 5% of the paid-up capital, the relevant amount can be retained within the Company. However, companies that made capital increases before distributing dividends related to the prior period and whose shares are therefore classified as "old" and "new" and that will distribute dividends from the profit made from 2008 operations are required to distribute the initial amount in cash.

In addition, according to the aforementioned Board decision, who are required to prepare consolidated financial statements the entities can provide the necessary amount from their statutory reserves, the distributable profit can be calculated based on the net income declared at the publicly announced consolidated financial statements in the accordance with Communiqué XI No. 29.

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

The remaining current year income and the reserves of the Company that can be subject to the dividend distribution is TRY654,426.

NOTE 24 - SALES AND COST OF SALES

	2009	**2008**
Domestic sales	3,384,501	3,717,909
Foreign sales	3,802,245	3,771,700
Gross sales	**7,186,746**	**7,489,609**
Less: Discounts	(594,851)	(637,320)
Net sales	**6,591,895**	**6,852,289**
Cost of sales	(4,417,892)	(4,905,292)
Gross profit	**2,174,003**	**1,946,997**

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

NOTE 25 - RESEARCH AND DEVELOPMENT EXPENSES, SELLING, MARKETING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	2009	**2008**
Selling, marketing and distribution expenses:		
Warranty and assembly expenses	346,652	304,290
Transportation, distribution and storage expenses	301,947	362,560
Advertising and promotion expenses	189,762	200,103
Personnel expenses	128,991	134,090
Depreciation and amortisation expenses	6,732	8,106
License expenses	6,557	14,149
Energy expenses	3,435	3,120
Other	121,649	130,857
	1,105,725	**1,157,275**
General administrative expenses:		
Personnel expenses	148,063	152,706
Insurance expenses	25,677	21,869
Depreciation and amortisation expenses	22,549	23,854
Legal consultancy and audit expenses	13,812	14,647
Rent expenses	13,785	11,755
Communication expenses	12,516	10,624
Duties, taxes and levies	6,382	6,029
Energy expenses	5,387	4,035
Repair and maintenance expense	4,858	7,114
Donations	1,375	6,463
Other	71,201	36,520
	325,605	**295,616**
Research and development expenses:		
Depreciation and amortisation expenses	25,212	12,882
Personnel expenses	14,753	21,391
Energy expenses	558	1,615
Other	7,957	18,629
	48,480	**54,517**

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

NOTE 26 - EXPENSES BY NATURE

	2009	**2008**
Raw materials, supplies and trade goods	3,617,927	4,384,523
Changes in finished goods, work in process and trade goods	242,976	(95,770)
Personnel expenses	577,351	624,508
Warranty and assembly expenses	346,652	304,290
Transportation, distribution and storage expenses	331,584	379,035
Advertising and promotion expenses	190,031	200,186
Depreciation and amortisation expenses	181,553	166,090
Energy expenses	55,391	67,615
Repair and maintenance expenses	38,872	48,481
License expenses	9,381	16,492
Other	305,984	317,250
	5,897,702	**6,412,700**

NOTE 27 - OTHER INCOME AND EXPENSES

	2009	**2008**
Other operating income		
Income from sale of financial asset	128,032	-
Income from claims and grants	17,823	12,973
Reversals of other provisions	10,978	8,525
Reversals of provisions for doubtful receivables (Note 10)	3,855	3,274
Income from sales of property, plant and equipment	2,080	1,471
Other	22,198	18,691
Other operating income	**184,966**	**44,934**
Other operating expenses		
Provision expense for impairment on inventories (Note 12)	(73,871)	(10,719)
Provision expense for doubtful receivables (Not 10)	(19,618)	(10,349)
Loss from sales of property, plant and equipment	(4,850)	(4,892)
Other provision expenses	(4,678)	(3,460)
Restructuring expenses	(3,918)	(5,589)
Insurance payments	(2,726)	(1,279)
Other	(20,652)	(8,684)
Other operating expenses	**(130,313)**	**(44,972)**

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

NOTE 28 - FINANCIAL INCOME

	2009	2008
Foreign exchange gains	238,900	460,130
Credit finance income	101,257	226,350
Interest income	36,100	16,928
Foreign currency forward income	23,260	32,316
Other	2,607	5,312
Financial income	**402,124**	**741,036**

NOTE 29 - FINANCIAL EXPENSES

	2009	2008
Interest expenses	(282,688)	(467,112)
Foreign exchange losses	(245,708)	(542,151)
Foreign currency forward expenses	(22,408)	(10,326)
Cash discounts expenses	(16,562)	(26,045)
Credit finance charges	(7,608)	(116,352)
Other	(5,120)	(1,953)
Financial expenses	**(580,094)**	**(1,163,939)**

NOTE 30 - TAX ASSETS AND LIABILITIES

	2009	2008
Corporation and income taxes	45,961	30,059
Less: prepaid tax	(31,605)	(25,996)
Taxes payable (net)	**14,356**	**4,063**
Deferred tax assets	41,509	65,878
Deferred tax liabilities	(95,201)	(91,471)
Deferred tax liabilities (net)	**(53,692)**	**(25,593)**

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

The corporation tax rate is 20% in Turkey (31 December 2008: 20%). Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, exempt income and allowances.

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

NOTE 30 - TAX ASSETS AND LIABILITIES (Continued)

The taxes on income for the periods ended 2009 and 2008 are summarised as follows:

	2009	**2008**
Taxes on expense		
- Current period tax expense	(45,910)	(29,693)
- Deferred tax (expense)/income	(25,507)	7,128
Taxes on expense (net)	**(73,417)**	**(22,565)**

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.

In accordance with tax laws and regulations of each country as of 31 December 2009, tax rates used for the calculation of taxes on income are as follows:

Germany	31.5%	Spain	30.0%
Austria	25.0%	Italy	37.3%
Czech Republic	21.0%	Hungary	16.0%
China	25.0%	Poland	19.0%
France	33.3%	Romania	16.0%
Netherlands	25.5%	Russia	20.0%
England	28.0%	Slovakia	19.0%

The breakdowns of cumulative temporary differences and the resulting deferred tax assets/liabilities provided 2009 and 2008 using principal tax rates are as follows:

	Cumulative temporary differences		**Deferred Tax assets/(liabilities)**	
	2009	**2008**	**2009**	**2008**
Property, plant and equipment and intangible assets	705,615	633,218	(147,445)	(132,183)
Available-for-sale investments	250,516	254,217	(12,526)	(12,711)
Derivative financial instruments	3,755	25,304	(751)	(5,061)
Unused tax credits	(172,610)	(276,633)	34,969	55,814
Provision for warranty, assembly and transportation expenses	(145,926)	(150,793)	28,867	29,811
Provision for employment termination benefits	(83,092)	(59,044)	16,618	11,783
Provision for doubtful receivables	(976)	(50,433)	195	10,087
Unearned credit finance income	(15,207)	(37,147)	2,281	7,299
Provision for impairment on inventories	(68,099)	(23,928)	13,587	4,786
Accrual for licenses expenses	(15,228)	(18,599)	3,046	3,720
Others	(29,774)	(4,502)	7,467	1,062
Deferred tax liabilities (net)			**(53,692)**	**(25,593)**

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

NOTE 30 - TAX ASSETS AND LIABILITIES (Continued)

	2009	2008
Balance at the beginning of the year	**(25,593)**	**(682)**
Charged to the income statement	(27,507)	7,128
Charged to the shareholders' equity	579	(7,643)
Acquisitions	-	(21,612)
Translation differences	(1,171)	(2,784)
Balance at the end of the year	**(53,692)**	**(25,593)**

As a result of group management's evaluation, Group has estimated the tax discounts to be used until the expiration date as TRY172,610 (31 December 2008: TRY276,633) and accounted a deferred tax asset of TRY34,969 (31 December 2008: TRY55,814)

Group's deductible loss of which deferred tax assets has not been calculated is TRY60,236. Maturity analysis of this amount is as follows:

	2009
2010	16,913
2011	14,558
2012	13,802
2013	14,963
	60,236

	2009	2008
Profit before tax	**576,443**	**29,121**
Local tax rate	20%	20%
Tax calculated at the local tax rate	(115,288)	(5,824)
Current year tax losses over which deferred tax asset was not recognised	(2,794)	(32,135)
Exemptions	62,454	17,610
Disallowable expenses	(11,403)	(5,093)
Impact of different tax rates in other countries	1,554	3,552
Adjustments made on statutory financial statements in accordance with CMB Accounting Standards over which deferred tax was not recognised	(8,093)	(1,253)
Non-cash capital increase (Koç Tüketici Finansmanı)	-	790
Other	963	(212)
Taxation expense	**(73,417)**	**(22,565)**

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

NOTE 31 - EARNINGS PER SHARE

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

	2009	2008
Net income attributable to the equity holders of the parent	485,410	39,794
Weighted average number of ordinary shares with nominal value Kr1 each	57,157,175,000	42,575,300,000
Earnings per share (Kr)	**0,8493**	**0.0935**

NOTE 32 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

(i) Related party balances

(a) Due from related parties	2009	2008
Group companies (*)	11,699	25,096
Associates	14,518	26,479
	26,217	**51,575**

(b) Due to related parties	2009	2008
Short-term		
Group companies (*)	59,707	22,520
Associates	51,722	51,207
	111,429	**73,727**
Long-term		
Group companies (*)	67,380	72,955
	67,380	**72,955**

(c) Deposits

Group companies (*)	54,962	2,963
	54,962	**2,963**

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

NOTE 32 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

(d) Bank borrowings	**2009**	**2008**
Group companies (*)	65,558	217,746
	65,558	**217,746**

e) Derivative financial instruments

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

31 December 2008	**Contract amount**	**Fair value assets/(liabilities)**	
Group companies (*)	142,526	-	(2,615)
	142,526	**-**	**(2,615)**

(ii) Transactions with related parties

(a) Sales of goods and services

	2009	**2008**
Group companies (*)	167,708	109,867
Associates	27,263	35,181
	194,971	**145,048**

(b) Purchases of goods and services	**2009**	**2008**
Associates	311,867	428,839
Group companies (*)	219,884	232,834
Shareholders	9,454	9,558
	541,205	**671,231**

(c) Sale of available for sale investments

Available for sale investment amounting to TRY201,615 has been sold to Koç Holding in 2009.

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

NOTE 32 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

(d) Key management compensation

Total compensation provided to key management personnel by the Company during the year ended 31 December 2009 amounts to TRY11,298 (31 December 2008: TRY15,036).

(e) Other transactions	**2009**	**2008**
Dividends paid	3,140	102,037
Interest expense	13,733	53,718
Interest income	3,012	1,985

(*) Group companies include Koç group companies.

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Liquidity Risk

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

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

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

The analysis of the Group's financial liabilities with respect to their maturities as of 31 December 2009 is as follows:

	Carrying value	**Contractual cash-flows**	**Up to 3 months**	**3 months- 12 months**	**1 year - 5 years**	**More than 5 years**
Current liabilities (non-derivative):						
Financial liabilities	1,923,727	1,975,708	645,263	1,330,445	-	-
Trade payables	762,402	767,712	703,280	64,432	-	-
Other payables	33,984	33,981	28,365	5,616	-	-
Provisions	204,659	204,659	115,594	89,065	-	-
Other current liabilities	169,288	169,288	160,035	9,253	-	-
	3,094,060	**3,151,348**	**1,652,537**	**1,498,811**	**-**	**-**

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year - 5 years	More than 5 years
Non-current liabilities (non-derivative):						
Financial liabilities	188,314	191,773	-	-	191,773	-
Trade payables	67,380	86,578	-	-	34,932	51,646
Provisions	60,761	60,761	-	-	60,761	-
Other non-current liabilities	6,501	6,482	-	-	6,482	-
	322,956	**345,594**	**-**	**-**	**293,948**	**51,646**
	3,417,016	**3,496,942**	**1,652,537**	**1,498,811**	**293,948**	**51,646**

	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year - 5 years
Derivative financial instruments (*)					
Derivative cash inflows	258,045	258,416	258,416	-	-
Derivative cash outflows	(254,299)	(254,670)	(254,670)	-	-
Derivative instruments, net cash inflows	**3,746**	**3,746**	**3,746**	**-**	**-**

Group's maturity analysis of financial liabilities as of 31 December 2008 is as follows:

	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year - 5 years	More than 5 years
Current liabilities (non-derivative):						
Financial liabilities	1,914,505	2,129,010	1,358,777	770,233	-	-
Trade payables	635,899	635,899	616,446	19,453	-	-
Other payables	34,571	34,571	23,815	10,756	-	-
Provisions	198,294	198,294	48,096	150,198	-	-
Other current liabilities	149,499	149,499	142,125	7,374	-	-
	3,932,768	**3,147,273**	**2,189,259**	**958,014**	**-**	**-**
Non-current liabilities (non-derivative):						
Financial liabilities	1,576,603	1,720,359	-	-	1,720,359	-
Trade payables	72,955	99,824	-	-	39,181	60,643
Provisions	53,197	53,197	-	-	53,197	-
Other non-current liabilities	12,401	12,401	-	-	12,401	-
	1,715,156	**1,885,781**	**-**	**-**	**1,825,138**	**60,643**
	4,647,924	**5,033,054**	**2,189,259**	**958,014**	**1,825,138**	**60,643**

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Derivative financial instruments (*)

	Carrying value	Contractual cash-flows	Up to 3 months	3 months- 12 months	1 year - 5 years
Derivative cash inflows	380,733	381,815	371,494	10,321	-
Derivative cash outflows	(360,227)	361,269	(365,327)	4,058	-
Derivative instruments, net cash outflows	**20,506**	**20,546**	**6,167**	**14,379**	**-**

(*) Amounts are undiscounted cash flows of contract values. Balances with maturities of less than three months are equal to their book value as their discount amounts are immaterial.

Interest Rate Risk

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

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

Average effective annual interest rates of balance sheet items as of 31 December are as follows:

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

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2008 (%)	**TRY**	**EUR**	**USD**	**GBP**	**RON**	**RUB**	**CNY**
Current assets							
Cash and cash equivalents	-	3.60	7.40	1.30	11.10	8.60	6.00
Trade receivables	27.00	4.30	1.80	5.00	-	-	-
Current liabilities							
Financial liabilities	22.70	5.80	6.50	-	-	18.30	-
Trade payables	13.80	3.10	2.00	3.10	-	-	-
Current liabilities							
Financial liabilities	19.60	6.00	7.00	-	-	-	-

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

	2009	**2008**
Financial instruments with fixed interest rates		
Time deposits	821,238	329,067
Financial liabilities	104,824	1,917,748
Financial instruments with variable interest rates		
Financial liabilities	2,006,317	1,573,360

At 31 December 2009, if interest rates at contractual repricing dates of TRY, EUR and USD denominated financial assets and liabilities with variable interest rates has strengthened/weakened by 100 base point against TRY with all other variables held constant, income before taxes and minority interest would have been TRY7,257 (2008: TRY15,734) lower/ higher as a result of interest expenses.

Funding risk

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

Credit risk

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

A significant amount of trade receivables is from related 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.

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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 31 December are as follows:

	Trade Receivables		Deposits
31 December 2009	**Related party**	**Other 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	-	1,460	-
-Impairment	-	(107,312)	-
-Secured portion of the net value by guarantees, etc.	-	(33,528)	-

	Trade Receivables		Deposits
31 December 2008	**Related party**	**Other party**	**in Banks**
Maximum exposed credit risk as of reporting date(1)	**51,575**	**2,532,984**	**371,363**
Secured portion of the maximum credit risk by guarantees, etc,	-	(2,013,510)	-
A. Net book value of financial assets either are not due or not impaired	51,575	2,272,220	371,363
- Secured portion by guarantees, etc,	-	(1,804,526)	-
B. Financial assets with renegotiated conditions	-	21,523	-
- Secured portion by guarantees, etc,	-	(21,523)	-
C. Net book value of the expired	-	200,180	-
- Secured portion by guarantees, etc,	-	(157,354)	-
D. Net book value of the impaired assets	-	39,061	-
- Overdue (Gross book value)	-	133,686	-
- Impairment (-)	-	(94,625)	-
- Secured portion of the net value by guarantees, etc,	-	(30,107)	-

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

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

a) Credit quality of financial assets

	2009	2008
Group 1	9,284	107,163
Group 2	1,905,978	2,062,339
Group 3	162,748	175,816
	2,078,010	**2,345,318**

Group 1 - New customers (Less than three months).
Group 2 - Existing customers with no defaults in the past (excluding related parties).
Group 3 - Existing customers with some defaults in the past of which were fully recovered (excluding related parties).

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

	2009	2008
0-1 month	42,267	78,676
1-3 months	23,133	25,622
3-12 months	43,949	68,108
1-5 years	12,128	27,774
	121,477	**200,180**

c) Geographical concentration of the trade receivables

	2009	2008
Turkey	1,371,208	1,718,765
Europe	648,289	666,898
Other	217,768	198,896
	2,237,265	**2,584,559**

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 new Turkish lira to shareholders' equity is aimed to be controlled under certain limits.

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

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

Foreign currency position

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

	2009	**2008**
Assets	1,098,051	1,518,785
Liabilites	(986,664)	(1,914,393)
Net balance sheet position	**111,387**	**(395,608)**
Net position of off-balance sheet derivative financial instruments	(107,666)	217,057
Net foreign currency position	**3,721**	**(178,551)**

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent at 31 December 2009 are as follows:

	EUR	USD	GBP	RON	PLN	TRY Equivalent
Current assets						
Trade receivables	262,938	102,843	94,593	326,590	29,078	980,257
Monetary financial assets	10,904	3,188	3,167	-	11,070	41,678
Other	15,257	28,616	29	-	-	76,116
Non-current assets						
Non-monetary financial assets	-	-	-	-	-	-
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
Other non-monetary financial liabilities	-	-	-	-	-	-
Non-current liabilities						
Trade payables	-	44,750	-	-	-	67,380
Financial liabilities	87,000	-	-	-	-	187,946
Other monetary financial liabilities	-	-	-	-	-	-
Other non-monetary financial liabilities	-	-	1,488	-	-	3,555
Total liabilities	**326,006**	**180,556**	**4,357**	**2,419**	**-**	**986,664**
Net balance sheet position	**(36,907)**	**(45,909)**	**93,432**	**324,171**	**40,148**	**111,387**
Off-balance sheet derivative financial assets	27,464	26,104	2,000	-	-	103,414
Off-balance sheet derivative financial liabilities	(15,000)	-	(68,000)	(100,000)	(21,600)	(211,208)
Net position of off-balance sheet items	12,464	26,104	(66,000)	(100,000)	(21,600)	(107,666)
Net foreign currency asset/ (liability) position	**(24,443)**	**(19,805)**	**27,432**	**224,171**	**18,548**	**3,721**

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

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

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent at 31 December 2008 are as follows:

	EUR	USD	GBP	TRY quivalent
Current assets				
Trade receivables	277,468	256,439	76,778	1,150,144
Monetary financial assets	55,950	108,798	197	284,745
Other	23,039	22,798	44	83,896
Total assets	**356,457**	**388,035**	**77,019**	**1,518,785**
Current liabilities				
Trade payables	135,365	170,566	1,091	550,128
Financial liabilities	224,810	98,943	-	630,905
Other monetary financial liabilities	3,612	44,881	217	76,082
Other non-monetary financial liabilities	2,829	12,899	968	27,686
Non-current liabilities				
Trade payables	-	48,228	-	72,935
Financial liabilities	196,086	84,499	-	547,569
Other monetary financial liabilities	257	286	3,697	9,088
Total liabilities	**562,959**	**460,302**	**5,973**	**1,914,393**
Net balance sheet position	**(206,502)**	**(72,267)**	**71,046**	**(395,608)**
Off-balance sheet derivative financial assets	114,437	89,500	-	380,337
Off-balance sheet derivative financial liabilities	(5,000)	(3,026)	(67,506)	(163,280)
Net position of off-balance sheet items	109,437	86,474	(67,506)	217,057
Net foreign currency asset/ (liability) position	**(97,065)**	**14,207**	**3,540**	**(178,551)**

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

Against TRY	(21,578)	161,643	(430)	197,316
Against EUR	-	(30,552)	-	(46,205)
Against RUB	(40,831)	(112,182)	-	(257,064)
Against other currencies	(34,656)	(4,702)	3,970	(72,598)
Net foreing currency position	**(97,065)**	**14,207**	**3,540**	**(178,551)**

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency sensitivity analysis as of 31 December 2009 and 2008 are as follows:

31 December 2009	**Gain/Loss**		**Equity**	
	Foreign exchange appreciation	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/-10% fluctuation of USD rate				
USD net asset/liability	(6,913)	6,913	(6,913)	6,913
Secured portion from USD risk (*)	3,930	(3,930)	3,930	(3,930)
USD net effect	**(2,983)**	**2,983**	**(2,983)**	**2,983**
+/-10% fluctuation of EUR rate				
EUR net asset/liability	(7,973)	7,973	(8,348)	8,348
Secured portion from EUR risk (*)	2,693	(2,693)	2,693	(2,693)
EUR net effect	**(5,280)**	**5,280**	**(5,655)**	**5,655**
+/-10% fluctuation of GBP rate				
GBP net asset/liability	22,323	(22,323)	29,802	(29,802)
Secured portion from GBP risk (*)	(15,769)	15,769	(15,769)	15,769
GBP net effect	**6,554**	**(6,554)**	**14,033**	**(14,033)**
+/-10% fluctuation of RUB rate				
RUB net asset/liability	1,614	(1,614)	15,241	(15,241)
Secured portion from RUB risk (*)	(489)	489	(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)**
	(593)	**593**	**38,226**	**(38,226)**

31 December 2008	**Gain/Loss**		**Equity**	
	Foreign exchange appreciation	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/-10% fluctuation of USD rate				
USD net asset/liability	(10,929)	10,929	(10,929)	10,929
Secured portion from USD risk (*)	13,077	(13,077)	13,078	(13,078)
USD net effect	**2,145**	**(2,145)**	**2,145**	**(2,145)**
+/-10% fluctuation of EUR rate				
EUR net asset/liability	(40,183)	40,183	(23,448)	23,448
Secured portion from EUR risk (*)	22,827	(22,827)	9,885	(9,885)
EUR Net Etki	**(17,356)**	**17,356**	**(13,563)**	**13,563**
+/-10% fluctuation of GBP rate				
GBP net asset/liability	15,576	(15,576)	19,036	(19,036)
Secured portion from GBP risk (*)	(14,696)	14,696	(14,696)	14,696
GBP net effect	**880**	**(880)**	**4,340**	**(4,340)**
+/-10% fluctuation of RUB rate				
RUB net asset/liability	-	-	16,933	(16,933)
Secured portion from RUB risk (*)	-	-	-	-
RUB net effect	**-**	**-**	**16,933**	**(16,933)**
+/-10% fluctuation of RON rate				
RON net asset/liability	-	-	26,957	(26,957)
Secured portion from RON risk (*)	-	-	-	-
RON net effect	**-**	**-**	**26,957**	**(26,957)**
	(18,353)	**18,353**	**24,885**	**(24,885)**

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

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The import and exports amounts from Turkey for the year ended as of 31 December 2009 and 2008 are as follows:

	31 December 2009		31 December 2008	
	Original amount	**TRY equivalent**	**Original amount**	**TRY equivalent**
EUR	721,569,045	1,555,679	773,277,203	1,470,856
USD	279,989,276	438,774	626,538,679	813,231
GBP	217,329,516	526,635	170,721,524	405,682
Other	-	53,125	-	11,164
Total exports		**2,574,213**		**2,700,933**
EUR	315,271,168	696,959	410,802,165	802,961
USD	515,410,141	817,619	739,557,662	977,046
GBP	482,939	1,209	536,007	1,332
Other	-	3,338	0	4,536
Total imports		**1,519,125**		**1,785,875**

Capital Risk Management

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

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

The gearing ratios at 31 December 2009 and 2008 are as follows:

	2009	**2008**
Total liabilities	3,683,155	4,858,472
Cash and cash equivalents	(904,734)	(415,586)
Net debt	2,778,421	4,442,886
Total shareholders' equity	2,743,503	2,001,329
Invested capital	5,521,924	6,444,215
Gearing ratio	**50%**	**69%**

NOTE 34 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)

Fair value of financial instruments

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

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

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

Financial Assets

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

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

The fair values of financial assets carried fair value are determined by undisputed similar transactions method. The carrying values of financial assets along with the related allowances for impairment are estimated to be their fair values.

Financial Liabilities

The carrying values of trade payables denominated in foreign currencies, which are translated at period-end exchange rates, are considered to approximate fair values. The carrying values of other trade payables are estimated to be their fair values since they are short term.

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

The fair values of long-term financial liabilities are determined by discounting contractual cash flows with current market interest rate.

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

NOTE 35 - SUPPLEMENTARY CASH FLOW INFORMATION

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

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

	2009	2008
Changes in reserves and provisions		
Warranty provision	22,774	(17,590)
Assembly and transportation provision	(5,619)	2,763
Provision for impairment on inventories	73,871	10,719
Provision for doubtful receivables	19,618	10,349
Provision for employment termination benefits	25,118	4,062
Accrual for customer premiums	3,186	10,583
Accrual for bonuses and premiums	689	(1,062)
Accrual for sales and marketing expenses	289	18,062
Provision for impairment	2,777	-
	142,703	**37,886**
Changes in operating assets and liabilities		
Trade receivables	327,676	(111,534)
Trade payables	120,928	(56,242)
Inventories	323,274	42,585
Financial assets	3,261	12
Other current assets and liabilities	70,826	(30,828)
Other non-current assets and liabilities	(2,978)	(3,817)
	842,987	**(159,824)**

NOTE 36 - SUBSEQUENT EVENTS

TRY719.7 million incentive for five enterprises of the Group has been approved by the Incentive and Application Directorate General of the Undersecretariat of Treasury of Turkey within the scope of the Large-scale Investment Incentive Legislation. Investment by the Group will benefit from VAT exemption, two years' insurance premium employer share incentive and 50% corporate tax discount (30% investment contribution rate) incentives for four years, in addition to the above-mentioned amount. Additionally, a regional investment incentive document amounting to TRY73.6 million has been approved by the Incentive and Applications Directorate General of the Undersecretariat of Treasury of Turkey. The relevant incentives will be applicable for the above mentioned investment, however the investment contribution rate will be taken into consideration as 20% for the discounted corporate tax application.

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