

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

## **Arçelik Anonim Şirketi**

**January 1 – March 31, 2011 condensed interim  
consolidated financial statements**

**ARÇELİK ANONİM ŞİRKETİ**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AT MARCH 31, 2011**

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| <b>CONTENTS</b>  | <b>PAGE</b> |
|--|-------------|
| <b>CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS .....</b>                                   | <b>1-2</b>  |
| <b>CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME.....</b>                              | <b>3</b>    |
| <b>CONDENSED INTERIM CONSOLIDATED STATEMENTS OF<br/>COMPREHENSIVE INCOME .....</b>           | <b>4</b>    |
| <b>CONDENSED INTERIM CONSOLIDATED STATEMENTS OF<br/>CHANGES IN SHAREHOLDERS' EQUITY.....</b> | <b>5</b>    |
| <b>CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW .....</b>                          | <b>6</b>    |
| <b>NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL<br/>STATEMENTS.....</b>             | <b>7-42</b> |
| NOTE 1 GROUP'S ORGANISATION AND NATURE OF OPERATIONS .....                                   | 7-8         |
| NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS .....                      | 8-13        |
| NOTE 3 SEGMENT REPORTING.....  | 13-14       |
| NOTE 4 CASH AND CASH EQUIVALENTS.....  | 15          |
| NOTE 5 FINANCIAL INVESTMENTS.....  | 15          |
| NOTE 6 FINANCIAL LIABILITIES.....  | 16-17       |
| NOTE 7 DERIVATIVE FINANCIAL INSTRUMENTS.....   | 18          |
| NOTE 8 TRADE RECEIVABLES AND PAYABLES.....   | 18-19       |
| NOTE 9 INVENTORIES.....  | 19          |
| NOTE 10 ASSOCIATES.....  | 20          |
| NOTE 11 INVESTMENT PROPERTIES .....  | 21          |
| NOTE 12 PROPERTY, PLANT AND EQUIPMENT .....  | 21          |
| NOTE 13 INTANGIBLE ASSETS.....   | 22          |
| NOTE 14 COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES.....                                  | 22-24       |
| NOTE 15 PROVISIONS .....   | 24          |
| NOTE 16 OTHER ASSETS AND LIABILITIES .....   | 25          |
| NOTE 17 EQUITY .....   | 25-27       |
| NOTE 18 OTHER INCOME AND EXPENSES.....   | 28          |
| NOTE 19 FINANCIAL INCOME.....  | 28          |
| NOTE 20 FINANCIAL EXPENSES .....   | 29          |
| NOTE 21 TAX ASSETS AND LIABILITIES .....   | 29-30       |
| NOTE 22 EARNINGS PER SHARE.....  | 31          |
| NOTE 23 RELATED PARTY DISCLOSURES .....  | 31-33       |
| NOTE 24 NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS.....                      | 34-42       |
| NOTE 25 SUPPLEMENTARY CASH FLOW INFORMATION .....  | 42          |

## ARÇELİK ANONİM ŞİRKETİ

### CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2011 AND DECEMBER 31, 2010

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

|                                  | Notes | Unaudited        | Audited           |
|----------------------------------|-------|------------------|-------------------|
|                                  |       | March 31, 2011   | December 31, 2010 |
| <b>ASSETS</b>                    |       |                  |                   |
| <b>Current assets:</b>           |       |                  |                   |
| Cash and cash equivalents        | 4     | 1,069,915        | 1,317,166         |
| Derivative financial instruments | 7     | 673              | 1,185             |
| Trade receivables                | 8     | 2,326,962        | 2,324,578         |
| Inventories                      | 9     | 1,122,759        | 987,526           |
| Other current assets             | 16    | 108,775          | 117,984           |
| <b>Total current assets</b>      |       | <b>4,629,084</b> | <b>4,748,439</b>  |
| <b>Non-current assets:</b>       |       |                  |                   |
| Trade receivables                | 8     | 24,094           | 12,461            |
| Financial investments            | 5     | 658,679          | 658,679           |
| Associates                       | 10    | 137,795          | 136,604           |
| Investment properties            | 11    | 5,818            | 5,480             |
| Property, plant and equipment    | 12    | 1,250,291        | 1,252,245         |
| Intangible assets                | 13    | 479,022          | 461,417           |
| Goodwill                         |       | 7,436            | 7,190             |
| Deferred tax assets              | 21    | 40,756           | 39,244            |
| <b>Total non-current assets</b>  |       | <b>2,603,891</b> | <b>2,573,320</b>  |
| <b>Total assets</b>              |       | <b>7,232,975</b> | <b>7,321,759</b>  |

These condensed interim consolidated financial statements as at and for the period ended March 31, 2011, have been approved for issue by the Board of Directors on April 26, 2011 and signed on its behalf by Fatih Kemal Ebiçlioğlu, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director.

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

## ARÇELİK ANONİM ŞİRKETİ

### CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2011 AND DECEMBER 31, 2010

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

|  |              | <b>Unaudited</b>      | <b>Audited</b>           |
|--|--------------|-----------------------|--------------------------|
|  | <b>Notes</b> | <b>March 31, 2011</b> | <b>December 31, 2010</b> |
| <b>LIABILITIES</b>                                     |              |                       |                          |
| <b>Current liabilities:</b>                            |              |                       |                          |
| Financial liabilities                                  | 6            | 899,667               | 839,220                  |
| Derivative financial instruments                       | 7            | 252                   | 239                      |
| Trade payables   | 8            | 886,599               | 968,962                  |
| Other payables   |              | 130,021               | 129,530                  |
| Current income tax liabilities                         | 21           | 8,760                 | 18,970                   |
| Provisions   | 15           | 222,861               | 205,160                  |
| Other non-current liabilities                          | 16           | 174,779               | 179,908                  |
| <b>Total current liabilities</b>                       |              | <b>2,322,939</b>      | <b>2,341,989</b>         |
| <b>Non-current liabilities:</b>                        |              |                       |                          |
| Financial liabilities                                  | 6            | 1,215,408             | 1,218,072                |
| Trade payables   | 8            | 62,314                | 63,681                   |
| Provisions for employment termination benefits         |              | 101,606               | 99,700                   |
| Deferred tax liabilities                               | 21           | 135,406               | 128,549                  |
| Provisions   | 15           | 62,513                | 58,136                   |
| Other non-current liabilities                          | 16           | 3,268                 | 3,898                    |
| <b>Total non-current liabilities</b>                   |              | <b>1,580,515</b>      | <b>1,572,036</b>         |
| <b>Total liabilities</b>                               |              | <b>3,903,454</b>      | <b>3,914,025</b>         |
| <b>EQUITY</b>  |              |                       |                          |
| Paid-in capital  | 17           | 675,728               | 675,728                  |
| Adjustment to share capital                            | 17           | 468,811               | 468,811                  |
| Share premium  |              | 889                   | 889                      |
| Revaluation fund                                       | 17           | 508,794               | 511,969                  |
| Restricted reserves                                    | 17           | 190,066               | 168,445                  |
| Currency translation differences                       |              | 67,953                | 29,585                   |
| Contribution to shareholders’ equity related to merger | 17           | 14,507                | 14,507                   |
| Retained earnings                                      |              | 1,200,381             | 954,525                  |
| Net income for the period                              |              | 125,606               | 517,093                  |
| <b>Attributable to</b>                                 |              |                       |                          |
| Equity holders of the parent                           |              | 3,252,735             | 3,341,552                |
| Non-controlling interest                               |              | 76,786                | 66,182                   |
| <b>Total equity</b>                                    |              | <b>3,329,521</b>      | <b>3,407,734</b>         |
| <b>Total liabilities and equity</b>                    |              | <b>7,232,975</b>      | <b>7,321,759</b>         |

Commitments, contingent assets and  
Liabilities

14

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

## ARÇELİK ANONİM ŞİRKETİ

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME FOR THE PERIODS ENDED MARCH 31

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

|  |       | Unaudited      | Unaudited      |
|--|-------|----------------|----------------|
|  |       | January 1 -    | January 1 -    |
|  |       | March 31       | March 31       |
|  | Notes | 2011           | 2010           |
| Net sales                                    | 3     | 1,699,386      | 1,486,923      |
| Cost of sales                                |       | (1,166,731)    | (1,003,445)    |
| <b>Gross profit</b>                          |       | <b>532,655</b> | <b>483,478</b> |
| Marketing, selling and distribution expenses |       | (292,953)      | (267,339)      |
| General administrative expenses              |       | (71,899)       | (59,050)       |
| Research and development expenses            |       | (17,625)       | (9,375)        |
| Other income                                 | 18    | 7,081          | 12,133         |
| Other expenses                               | 18    | (10,013)       | (8,391)        |
| <b>Operating profit</b>                      |       | <b>147,246</b> | <b>151,456</b> |
| Income from associates (net)                 | 10    | 6,744          | 355            |
| Financial income                             | 19    | 159,933        | 74,341         |
| Financial expenses                           | 20    | (152,501)      | (81,439)       |
| <b>Income before tax</b>                     |       | <b>161,422</b> | <b>144,713</b> |
| <b>Income tax</b>                            |       |                |                |
| - Taxes on income                            | 21    | (26,090)       | (28,967)       |
| - Deferred tax income/expense                | 21    | (2,496)        | 1,000          |
| <b>Net income</b>                            |       | <b>132,836</b> | <b>116,746</b> |
| <b>Attributable to:</b>                      |       |                |                |
| Non-controlling interest                     |       | 7,230          | 7,101          |
| <b>Equity holders of the parent</b>          |       | <b>125,606</b> | <b>109,645</b> |
| <b>Earnings per share (Kr)</b>               | 22    | <b>0.186</b>   | <b>0.162</b>   |

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

## ARÇELİK ANONİM ŞİRKETİ

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED MARCH 31

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

|   | Unaudited                      | Unaudited                      |
|---|--------------------------------|--------------------------------|
|   | January 1-<br>March 31<br>2011 | January 1-<br>March 31<br>2010 |
| <b>Net income for the period</b>                                | <b>132,836</b>                 | <b>116,746</b>                 |
| <b>Other comprehensive income /(expense):</b>                   |                                |                                |
| Decrease in value of intangible assets                          | (384)                          | (367)                          |
| Tax effect  | 98                             | 94                             |
|   | <b>(286)</b>                   | <b>(273)</b>                   |
| Foreign currency hedge of net investments in foreign operations | (19,536)                       | -                              |
| Tax effect  | 3,907                          | -                              |
|   | <b>(15,629)</b>                | <b>-</b>                       |
| Currency translation differences                                | <b>54,482</b>                  | <b>(8,580)</b>                 |
| <b>Reclassifications:</b>                                       |                                |                                |
| Decrease in value of intangible assets                          | <b>384</b>                     | <b>367</b>                     |
| <b>Other comprehensive income/(loss) (net of tax)</b>           | <b>38,951</b>                  | <b>(8,486)</b>                 |
| <b>Total comprehensive income</b>                               | <b>171,787</b>                 | <b>108,260</b>                 |
| <b>Attributable to:</b>   |                                |                                |
| Non-controlling interest  | 10,604                         | 5,319                          |
| Equity holders of the parent                                    | <b>161,183</b>                 | <b>102,941</b>                 |

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

(CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH – SEE NOTE 2.4)

## ARÇELİK ANONİM ŞİRKETİ

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE THREE MONTH - PERIODS ENDED MARCH 31

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

|                                      | Paid-in        | Adjustment<br>to share | Share      | Revaluation    | Restricted     | Currency      | Contribution    | Retained         | Net            | Equity           | Non-          | Total            |
|--------------------------------------|----------------|------------------------|------------|----------------|----------------|---------------|-----------------|------------------|----------------|------------------|---------------|------------------|
|                                      | capital        | capital                | premium    | funds          | reserves       | translation   | to shareholders | earnings         | for the        | of the           | controlling   | equity           |
|                                      |                |                        |            |                |                | differences   | equity due to   |                  | period         | parent           | interest      |                  |
|                                      |                |                        |            |                |                |               | merger          |                  |                |                  |               |                  |
| <b>As of January 1, 2010</b>         | <b>675,728</b> | <b>468,811</b>         | <b>889</b> | <b>283,558</b> | <b>161,824</b> | <b>35,137</b> | <b>14,507</b>   | <b>574,257</b>   | <b>485,410</b> | <b>2,700,121</b> | <b>43,382</b> | <b>2,743,503</b> |
| Transfers                            | -              | -                      | -          | -              | -              | -             | -               | 485,410          | (485,410)      | -                | -             | -                |
| Dividends paid                       | -              | -                      | -          | -              | 6,621          | -             | -               | (106,621)        | -              | (100,000)        | -             | (100,000)        |
| Total comprehensive<br>income/(loss) | -              | -                      | -          | (8,859)        | -              | 1,789         | -               | 366              | 109,645        | 102,941          | 5,319         | 108,260          |
| <b>As of March 31, 2010</b>          | <b>675,728</b> | <b>468,811</b>         | <b>889</b> | <b>274,699</b> | <b>168,445</b> | <b>36,926</b> | <b>14,507</b>   | <b>953,412</b>   | <b>109,645</b> | <b>2,703,062</b> | <b>48,701</b> | <b>2,751,763</b> |
| <b>As of January 1, 2011</b>         | <b>675,728</b> | <b>468,811</b>         | <b>889</b> | <b>511,969</b> | <b>168,445</b> | <b>29,585</b> | <b>14,507</b>   | <b>954,525</b>   | <b>517,093</b> | <b>3,341,552</b> | <b>66,182</b> | <b>3,407,734</b> |
| Transfers                            | -              | -                      | -          | -              | -              | -             | -               | 517,093          | (517,093)      | -                | -             | -                |
| Dividends paid                       | -              | -                      | -          | -              | 21,621         | -             | -               | (271,621)        | -              | (250,000)        | -             | (250,000)        |
| Total comprehensive<br>income/(loss) | -              | -                      | -          | (3,175)        | -              | 38,368        | -               | 384              | 125,606        | 161,183          | 10,604        | 171,787          |
| <b>As of March 31, 2011</b>          | <b>675,728</b> | <b>468,811</b>         | <b>889</b> | <b>508,794</b> | <b>190,066</b> | <b>67,953</b> | <b>14,507</b>   | <b>1,200,381</b> | <b>125,606</b> | <b>3,252,735</b> | <b>76,786</b> | <b>3,329,521</b> |

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

## ARÇELİK ANONİM ŞİRKETİ

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE THREE-MONTH PERIODS ENDED MARCH 31

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

|   |       | Unaudited        | Unaudited        |
|---|-------|------------------|------------------|
|   | Notes | March 31, 2011   | March 31, 2010   |
| <b>Operating activities:</b>  |       |                  |                  |
| <b>Income before tax</b>  |       | <b>161,422</b>   | <b>144,713</b>   |
| <i>Adjustments to reconcile net cash provided from operating activities to income before taxes:</i> |       |                  |                  |
| Changes in provisions   | 25    | 72,001           | 30,518           |
| Depreciation and amortisation   |       | 52,145           | 44,909           |
| Interest income   | 19    | (13,919)         | (11,559)         |
| Interest expense  | 20    | 23,716           | 30,753           |
| Income from associates (net)  | 10    | (6,744)          | (355)            |
| Gain/losses on sales of tangible and intangible assets (net)  |       | 619              | 1,290            |
| <b>Income from operating activities before changes in operating assets and liabilities</b>          |       | <b>289,240</b>   | <b>240,269</b>   |
| Net change in operating assets and liabilities  | 25    | (305,660)        | 57,520           |
| Income tax paid   |       | (7,172)          | (9,178)          |
| <b>Cash flows from operating activities</b>   |       | <b>(23,592)</b>  | <b>288,611</b>   |
| <b>Investing activities:</b>  |       |                  |                  |
| Cash provided from sales of tangible and intangible assets  |       | 3,592            | 1,364            |
| Acquisition of tangible and intangible assets   |       | (41,496)         | (34,676)         |
| Dividends received  | 10    | 5,553            | 4,472            |
| Currency translation differences (net)  |       | 10,706           | (5,050)          |
| <b>Cash flows from investing activities</b>   |       | <b>(21,645)</b>  | <b>(33,890)</b>  |
| <b>Financing activities:</b>  |       |                  |                  |
| Proceeds from bank borrowings   |       | 369,583          | 269,532          |
| Repayment of bank borrowings  |       | (315,668)        | (598,371)        |
| Interest paid   |       | (19,848)         | (32,821)         |
| Dividends paid  |       | (250,000)        | (100,000)        |
| Interest received   |       | 16,614           | 12,475           |
| <b>Cash flows from financing activities</b>   |       | <b>(199,319)</b> | <b>(449,185)</b> |
| <b>Net increase in cash and cash equivalents</b>  |       | <b>(244,556)</b> | <b>(194,464)</b> |
| <b>Cash and cash equivalents at January 1</b>   | 4     | <b>1,313,075</b> | <b>900,133</b>   |
| <b>Cash and cash equivalents at March 31</b>  | 4     | <b>1,068,519</b> | <b>705,669</b>   |

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



## ARÇELİK ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31

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

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

Arçelik Anonim Şirketi (a Turkish corporation - “Arçelik” or “the Company”) and its subsidiaries (collectively, “the Group”) undertake all commercial and industrial activities in respect of the production, sales and marketing, customer services after sales, exportation and importation of consumer durable goods and consumer electronics. The Group operates eleven manufacturing plants in Turkey, Romania, Russia and China. The Company is a member of the Koç Group, which holds a majority stake in the Company (Note 17).

The Company’s head office is located at:

Karaağaç Caddesi No: 2-6

Sütlüce 34445 Beyoğlu

İstanbul / Turkey

The Company is registered to the Capital Markets Board (“CMB”) and its shares have been quoted on the Istanbul Stock Exchange (“ISE”) since 1986. At March 31, 2011, the publicly quoted shares are 25.19% of the total shares.

The average number of employees of the Group as of March 31, 2011 is 18,149 (December 31, 2010: 17,931).

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

(\*) Inactive as of balance sheet date.

## ARÇELİK ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31

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

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

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

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

##### 2.1 Basis of presentation

##### Financial reporting standards

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

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

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

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

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

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

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

**Revised standards and interpretations affecting the current period financial statements:**

There are no new or revised standards or interpretation affecting reported results and financial position.

**New or revised standards, revisions and interpretations which are effective in current period but no effect on financial statements:**

IAS 24 Related Party Disclosures (Revised)

IAS 32 Classifications on Rights Issues (Amended)

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (Interpretation)

IFRS 3 Contingent considerations that arose from business combinations with acquisition dates precede the adoption of revised IFRS (Improvement)

IFRS 3 Measurement of non-controlling interest (Improvement)

IFRS 3 The replacement of the acquiree’s share-based payment transactions (whether obliged or voluntarily) (Improvement)

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

IAS 1 Clarification to the statement of changes in equity (Improvement)

IAS 27 Clarification of the consequential amendments from IAS 27 “Consolidated and Separate Financial Statements” made to IAS 21, IAS 28 and IAS 31 (Improvement)

IFRIC 13 Customer Loyalty Programmes: The fair value of award credits (Improvement)

IAS 34 Interim Financial Reporting: Guidance to illustrative how to apply disclosure principles and additional disclosure requirements (Improvement)

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

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

**Standards, revision and interpretations in issue but not yet adopted on financial statements (has not yet been endorsed by the EU):**

IFRS 7 “Financial Instruments: Disclosures as part of its comprehensive review of off balance sheet activities” (Amended) is effective for annual periods beginning on or after 1 July 2011. The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitisations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The Group does not expect that this amendment will have any impact on the financial statements of the Group.

IAS 12 “Deferred Tax: Recovery of Underlying Assets” (Amendment), is mandatory for annual periods beginning on or after 1 January 2012. IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. The Group does not expect that this amendment will have any impact on the financial statements of the Group.

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

**Functional and presentation currency**

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

**Financial statements of subsidiaries operating in countries other than Turkey**

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

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

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

**Consolidation principles**

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

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

|                             | <u>March 31, 2011</u>     |                          | <u>December 31, 2010</u>  |                          |
|-----------------------------|---------------------------|--------------------------|---------------------------|--------------------------|
|                             | <b>Ownership interest</b> | <b>Economic interest</b> | <b>Ownership interest</b> | <b>Economic interest</b> |
| Archin                      | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Arctic                      | 96.71                     | 96.71                    | 96.71                     | 96.71                    |
| Arctic Pro                  | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Ardutch                     | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Bekodutch (*)               | -                         | -                        | 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                   |
| Beko Espana                 | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Beko France                 | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Beko Hungary                | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Beko Italy                  | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Beko Magyarorszag           | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Beko Polska                 | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Beko Russia                 | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Beko Slovakia               | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Beko Shanghai               | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Beko UK (***)               | 50.00                     | 50.00                    | 50.00                     | 50.00                    |
| Blomberg Vertrieb           | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Blomberg Werke              | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Elektra Bregenz             | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Grundig Multimedia          | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Grundig Austria             | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Grundig Czech Republic      | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Grundig Denmark             | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Grundig Finland             | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Grundig Intermedia          | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Grundig Italy               | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Grundig Hungary             | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Grundig Norway              | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Grundig Portugal            | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Grundig Polska              | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Grundig Slovakia            | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Grundig Sweden              | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Grundig Switzerland         | 100.00                    | 100.00                   | 100.00                    | 100.00                   |
| Raupach                     | 100.00                    | 100.00                   | 100.00                    | 100.00                   |

(\*) Merged with Ardutch at March 31, 2011.

(\*\*) Merged with Beko Russia at January 24, 2011.

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

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

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

**Going concern**

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

**Offsetting**

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

**Comparatives and restatement of prior periods’ financial statements**

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

In order to ensure consistency with the presentation of the current period interim condensed consolidated statement of income, after sales services expenses, which had been accounted under general administrative expenses in prior periods, have been accounted under marketing, selling and distribution expenses in the current period with the intention to present the substance of the related expense more precisely. As a result of this change, general administrative expenses for the period ended March 31,2010 has decreased by TRY21,093, whereas marketing, selling and distribution expenses has increased by the same amount.

**2.2 Changes and errors in the accounting policies and estimates**

Material changes in accounting policies or material errors are corrected, retrospectively; by restating the prior periods consolidated financial statements. The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods. The estimates used in the preparation of these condensed interim consolidated financial statements are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2010, except for the changes explained below in Note 2.2.1 and Note 2.2.2.

**2.2.1. Changes in estimates used in revenue recognition**

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

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

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

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

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

**2.3 Summary of significant accounting policies**

The condensed interim consolidated financial statements of the Group for the period ended March 31, 2011 have been prepared in accordance with IAS 34 “Interim Financial Reporting”. The accounting policies used in the preparation of these condensed interim consolidated financial statements are consistent with those used in the preparation of annual consolidated financial statements for the year ended December 31, 2010, except changes in accounting policies of derivative financial instruments explained below in Note 2.3.1. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2010.

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

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

**NOTE 3 - SEGMENT REPORTING**

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

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

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

**NOTE 3 - SEGMENT REPORTING (Continued)**

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

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

- a) Operational segments which have been prepared in accordance with the reportable segments for the period ended March 31, 2011 are as follows:

|                               | <b>White Goods</b> | <b>Consumer Electronics</b> | <b>Other</b> | <b>Total</b> |
|-------------------------------|--------------------|-----------------------------|--------------|--------------|
| Total segment revenue         | 1,099,497          | 318,503                     | 281,386      | 1,699,386    |
| Gross profit                  | 390,793            | 67,314                      | 74,548       | 532,655      |
| Depreciation and amortisation | 41,886             | 9,037                       | 1,867        | 52,790       |
| Capital expenditures          | 34,215             | 7,250                       | 676          | 42,141       |
| Income from associates        | -                  | -                           | 6,744        | 6,744        |

- b) Operational segments which have been prepared in accordance with the reportable segments for the period ended March 31, 2010 are as follows:

|                               | <b>White Goods</b> | <b>Consumer Electronics</b> | <b>Other</b> | <b>Total</b> |
|-------------------------------|--------------------|-----------------------------|--------------|--------------|
| Total segment revenue         | 986,096            | 261,988                     | 238,839      | 1,486,923    |
| Gross profit                  | 379,098            | 63,914                      | 40,466       | 483,478      |
| Depreciation and amortisation | 34,562             | 9,509                       | 1,822        | 45,893       |
| Capital expenditures          | 27,478             | 8,065                       | 117          | 35,660       |
| Income from associates        | -                  | -                           | 355          | 355          |

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

| <b>March 31, 2011</b>  | <b>Turkey</b> | <b>Europe</b> | <b>Other</b> | <b>Total</b> |
|------------------------|---------------|---------------|--------------|--------------|
| Total segment revenue  | 840,583       | 642,234       | 216,569      | 1,699,386    |
| Income from associates | 6,744         | -             | -            | 6,744        |
| <b>March 31, 2010</b>  | <b>Turkey</b> | <b>Europe</b> | <b>Other</b> | <b>Total</b> |
| Total segment revenue  | 730,157       | 557,055       | 199,711      | 1,486,923    |
| Income from associates | 355           | -             | -            | 355          |



**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

**NOTE 4 - CASH AND CASH EQUIVALENTS**

|   | <b>March 31,2011</b> | <b>December 31,2010</b> |
|---|----------------------|-------------------------|
| Cash in hand  | 340                  | 328                     |
| Cash at banks   |                      |                         |
| - demand deposits                                       | 48,570               | 52,587                  |
| - time deposits   | 991,609              | 1,229,706               |
| Cheques and notes                                       | 25,061               | 29,914                  |
| Other   | 2,939                | 540                     |
| <b>Cash and cash equivalents in cash flow statement</b> | <b>1,068,519</b>     | <b>1,313,075</b>        |
| Interest income accruals                                | 1,396                | 4,091                   |
|   | <b>1,069,915</b>     | <b>1,317,166</b>        |

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

|               |                  |                  |
|---------------|------------------|------------------|
| Up to 30 days | 801,234          | 887,270          |
| 30 - 90 days  | 268,681          | 429,896          |
|               | <b>1,069,915</b> | <b>1,317,166</b> |

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

|     |      |      |
|-----|------|------|
| TRY | 8.90 | 9.04 |
| USD | 3.99 | 3.13 |
| EUR | 2.03 | 1.58 |
| RON | 4.67 | 2.64 |
| GBP | 0.29 | 0.31 |
| RUB | 2.40 | 2.21 |
| CNY | 2.73 | 1.05 |

**NOTE 5 - FINANCIAL INVESTMENTS**

|                                       |          | <b>March 31, 2011</b> |          | <b>December 31, 2010</b> |
|---------------------------------------|----------|-----------------------|----------|--------------------------|
| <b>Available-for-sale investments</b> | <b>%</b> | <b>TRY</b>            | <b>%</b> | <b>TRY</b>               |
| Koç Finansal Hizmetler A.Ş.           | 3.98     | 657,168               | 3.98     | 657,168                  |
| Other                                 |          | 1,511                 |          | 1,511                    |
|                                       |          | <b>658,679</b>        |          | <b>658,679</b>           |

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

**NOTE 6 - FINANCIAL LIABILITIES**

**a) Short-term financial liabilities**

|   | <b>March 31, 2011</b> | <b>December 31, 2010</b> |
|---|-----------------------|--------------------------|
| Short-term bank borrowings                      | 691,742               | 599,098                  |
| Short-term portion of long-term bank borrowings | 207,572               | 239,738                  |
| Other   | 353                   | 384                      |
|   | <b>899,667</b>        | <b>839,220</b>           |

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

| <b>Currency</b> | <b>Effective interest rate per annum (%)</b> | <b>Original Currency</b> | <b>TRY Amount</b> |
|-----------------|--|--------------------------|-------------------|
| TRY             | -  | -                        | 10,306            |
| EUR             | 1.9  | 274,182,864              | 598,157           |
| RUB             | 4.6  | 1,533,415,772            | 82,482            |
| RON             | 6.2  | 1,509,612                | 797               |
|                 |  |                          | <b>691,742</b>    |

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

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

**b) Long-term financial liabilities**

|                           | <b>March 31, 2011</b> | <b>December 31, 2010</b> |
|---------------------------|-----------------------|--------------------------|
| Long-term bank borrowings | 1,215,375             | 1,218,002                |
| Other                     | 33                    | 70                       |
|                           | <b>1,215,408</b>      | <b>1,218,072</b>         |

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

**NOTE 6 - FINANCIAL LIABILITIES (Continued)**

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

| <b>Currency</b>          | <b>Effective interest rate per annum (%)</b> | <b>Original Currency</b> | <b>TRY Amount</b> |
|--------------------------|--|--------------------------|-------------------|
| TRY                      | 8.49   | 503,827,561              | 503,828           |
| EUR                      | 2.77   | 292,136,103              | 637,324           |
| USD                      | 2.25   | 100,875,000              | 156,185           |
| GBP                      | 2.93   | 50,557,514               | 125,610           |
|                          |  |                          | <b>1,422,947</b>  |
| Less: short-term portion |  |                          | (207,572)         |
|                          |  |                          | <b>1,215,375</b>  |

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

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

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

|      | <b>March 31, 2011</b> | <b>December 31, 2010</b> |
|------|-----------------------|--------------------------|
| 2012 | 468,160               | 489,062                  |
| 2013 | 747,215               | 728,940                  |
|      | <b>1,215,375</b>      | <b>1,218,002</b>         |

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

|                |                  |                  |
|----------------|------------------|------------------|
| Up to 6 months | 1,918,496        | 1,929,393        |
| 6 - 12 months  | 196,193          | 127,445          |
|                | <b>2,114,689</b> | <b>2,056,838</b> |

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

**NOTE 7 – DERIVATIVE FINANCIAL INSTRUMENTS**

|                                 | March 31, 2011 |            |                          | December 31, 2010 |              |                          |
|---------------------------------|----------------|------------|--------------------------|-------------------|--------------|--------------------------|
|                                 | Contract value | Asset      | Fair value / (Liability) | Contract value    | Asset        | Fair value / (Liability) |
| <b>Held for trading:</b>        |                |            |                          |                   |              |                          |
| Forward transactions            | 117,351        | 176        | (221)                    | 217,977           | 817          | (207)                    |
| Foreign currency swap contracts | 100,021        | 497        | (31)                     | 71,440            | 29           | (32)                     |
| <b>Held for hedging:</b>        |                |            |                          |                   |              |                          |
| Commodity swap contracts        | -              | -          | -                        | 1,414             | 339          | -                        |
|                                 | <b>217,372</b> | <b>673</b> | <b>(252)</b>             | <b>290,831</b>    | <b>1,185</b> | <b>(239)</b>             |

**NOTE 8 - TRADE RECEIVABLES AND PAYABLES**

|   | March 31, 2011   | December 31, 2010 |
|---|------------------|-------------------|
| <b>Short-term trade receivables:</b>        |                  |                   |
| Trade receivables                           | 1,427,715        | 1,381,506         |
| Notes receivables                           | 890,725          | 961,075           |
| Cheques receivables                         | 118,771          | 128,754           |
| Due from related parties (Note 23)          | 46,744           | 22,869            |
| <b>Short-term trade receivables (gross)</b> | <b>2,483,955</b> | <b>2,494,204</b>  |
| Less: Provision for doubtful receivables    | (115,576)        | (110,611)         |
| Less: Unearned credit finance income        | (41,417)         | (59,015)          |
| <b>Short-term trade receivables (net)</b>   | <b>2,326,962</b> | <b>2,324,578</b>  |

Movements in the provision for doubtful receivables are as follows:

|   | 2011           | 2010           |
|---|----------------|----------------|
| <b>Balance as of January 1</b>          | <b>110,611</b> | <b>107,312</b> |
| Current period additions (Note 18)      | 3,730          | 3,013          |
| Provisions no longer required (Note 18) | (849)          | (451)          |
| Write-offs                              | (60)           | -              |
| Currency translation differences        | 2,144          | (2,691)        |
| <b>Balance as of March 31</b>           | <b>115,576</b> | <b>107,183</b> |
| <b>Long-term trade receivables:</b>     |                |                |
| Trade receivables                       | 24,094         | 12,461         |
|   | <b>24,094</b>  | <b>12,461</b>  |

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

**NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)**

**Short-term trade payables:**

|                                  |                |                |
|----------------------------------|----------------|----------------|
| Trade payables                   | 762,805        | 787,755        |
| Due to related parties (Note 23) | 127,940        | 186,003        |
| Unearned credit finance charges  | (4,146)        | (4,796)        |
|                                  | <b>886,599</b> | <b>968,962</b> |

**Long-term trade payables:**

|                                  |               |               |
|----------------------------------|---------------|---------------|
| Due to related parties (Note 23) | 62,314        | 63,681        |
|                                  | <b>62,314</b> | <b>63,681</b> |

**NOTE 9 - INVENTORIES**

|   | <b>March 31, 2011</b> | <b>December 31, 2010</b> |
|---|-----------------------|--------------------------|
| Raw materials and supplies                    | 572,732               | 560,738                  |
| Work in progress                              | 46,640                | 37,861                   |
| Finished goods                                | 439,861               | 346,418                  |
| Trade goods                                   | 136,351               | 115,087                  |
| <b>Inventories (gross)</b>                    | <b>1,195,584</b>      | <b>1,060,104</b>         |
| Less: Provision for impairment on inventories | (72,825)              | (72,578)                 |
| <b>Inventories (net)</b>                      | <b>1,122,759</b>      | <b>987,526</b>           |

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

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

|                            |               |               |
|----------------------------|---------------|---------------|
| Raw materials and supplies | 63,812        | 63,734        |
| Finished goods             | 6,494         | 6,442         |
| Trade goods                | 2,519         | 2,402         |
|                            | <b>72,825</b> | <b>72,578</b> |

Movement of provision for impairment on inventories is as follows:

|                                    | <b>2011</b>   | <b>2010</b>   |
|------------------------------------|---------------|---------------|
| <b>Balance as of January 1</b>     | <b>72,578</b> | <b>98,339</b> |
| Current year additions (Note 18)   | 793           | 1,700         |
| Realised due to sales of inventory | (990)         | (14,824)      |
| Currency translation differences   | 444           | (1,370)       |
| <b>Balance as of March 31</b>      | <b>72,825</b> | <b>83,845</b> |

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

**NOTE 10 - ASSOCIATES**

|  | <b>March 31, 2011</b> |                | <b>December 31, 2010</b> |                |
|--|-----------------------|----------------|--------------------------|----------------|
|  | <b>%</b>              | <b>TRY</b>     | <b>%</b>                 | <b>TRY</b>     |
| Koç Tüketici Finansmanı A.Ş.               | 47.0                  | 61,523         | 47.0                     | 62,787         |
| Arçelik LG Klima Sanayi ve Ticaret A.Ş.    | 45.0                  | 60,316         | 45.0                     | 58,778         |
| Ram Dış Ticaret A.Ş.                       | 33.5                  | 10,569         | 33.5                     | 10,358         |
| Tanı Pazarlama ve İletişim Hizmetleri A.Ş. | 32.0                  | 5,387          | 32.0                     | 4,681          |
|  |                       | <b>137,795</b> |                          | <b>136,604</b> |
|  |                       | <b>2011</b>    |                          | <b>2010</b>    |
| <b>Balance as of January 1</b>             |                       | <b>136,604</b> |                          | <b>129,169</b> |
| Income from associates (net)               |                       | 6,744          |                          | 355            |
| Dividend received from associates          |                       | (5,553)        |                          | (4,472)        |
| <b>Balance as of March 31</b>              |                       | <b>137,795</b> |                          | <b>125,052</b> |

*Income from associates*

|  | <b>1 January-<br/>March 31, 2011</b> | <b>1 January-<br/>March 31, 2010</b> |
|--|--------------------------------------|--------------------------------------|
| Koç Tüketici Finansmanı A.Ş.               | 3,436                                | 1,313                                |
| Ram Dış Ticaret A.Ş.                       | 1,064                                | 253                                  |
| Arçelik LG Klima Sanayi ve Ticaret A.Ş.    | 1,538                                | (1,743)                              |
| Tanı Pazarlama ve İletişim Hizmetleri A.Ş. | 706                                  | 532                                  |
|  | <b>6,744</b>                         | <b>355</b>                           |

*The summary financial statements of associates*

|                           | <b>March 31, 2011</b> | <b>December 31, 2010</b> |
|---------------------------|-----------------------|--------------------------|
| Total assets              | 1,924,584             | 1,773,383                |
| Total liabilities         | 1,611,264             | 1,463,626                |
|                           | <b>March 31, 2011</b> | <b>March 31, 2010</b>    |
| Sales revenues            | 382,063               | 282,541                  |
| Net income for the period | 16,113                | 1,481                    |

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

**NOTE 11 - INVESTMENT PROPERTIES**

|  | <b>2011</b>  | <b>2010</b>  |
|--|--------------|--------------|
| <b>As of January 1</b>                             |              |              |
| Cost   | 11,441       | 12,711       |
| Accumulated depreciation                           | (5,961)      | (6,367)      |
| <b>Net book value</b>                              | <b>5,480</b> | <b>6,344</b> |
| <b>Net book value at the beginning of the year</b> | <b>5,480</b> | <b>6,344</b> |
| Disposals  | -            | (412)        |
| Currency translation differences                   | 371          | (319)        |
| Current year depreciation                          | (33)         | (32)         |
| <b>Net book value at the end of the period</b>     | <b>5,818</b> | <b>5,581</b> |
| <b>As of March 31</b>                              |              |              |
| Cost   | 12,222       | 11,458       |
| Accumulated depreciation                           | (6,404)      | (5,877)      |
| <b>Net book value</b>                              | <b>5,818</b> | <b>5,581</b> |

**NOTE 12 - PROPERTY, PLANT AND EQUIPMENT**

|  | <b>2011</b>      | <b>2010</b>      |
|--|------------------|------------------|
| <b>As of January 1</b>                             |                  |                  |
| Cost   | 3,410,540        | 3,332,557        |
| Accumulated depreciation                           | (2,158,295)      | (2,088,448)      |
| <b>Net book value</b>                              | <b>1,252,245</b> | <b>1,244,109</b> |
| <b>Net book value at the beginning of the year</b> | <b>1,252,245</b> | <b>1,244,109</b> |
| Additions  | 26,501           | 18,042           |
| Disposals  | (4,191)          | (2,242)          |
| Currency translation differences                   | 18,078           | 4,467            |
| Current year depreciation                          | (42,342)         | (39,220)         |
| <b>Net book value at the end of the period</b>     | <b>1,250,291</b> | <b>1,225,156</b> |
| <b>As of March 31</b>                              |                  |                  |
| Cost   | 3,459,491        | 3,338,269        |
| Accumulated depreciation                           | (2,209,200)      | (2,113,113)      |
| <b>Net book value</b>                              | <b>1,250,291</b> | <b>1,225,156</b> |

There is no mortgage on property, plant and equipment as of March 31, 2011 (March 31, 2010: None).

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

**NOTE 13 - INTANGIBLE ASSETS**

|  | <b>2011</b>    | <b>2010</b>    |
|--|----------------|----------------|
| <b>As of January 1</b>                             |                |                |
| Cost   | 597,299        | 539,682        |
| Accumulated amortisation                           | (135,882)      | (99,689)       |
| <b>Net book value</b>                              | <b>461,417</b> | <b>439,993</b> |
| <b>Net book value at the beginning of the year</b> | <b>461,417</b> | <b>439,993</b> |
| Additions  | 15,640         | 17,618         |
| Disposals  | (20)           | -              |
| Currency translation differences                   | 12,400         | (10,311)       |
| Amortisation for the period                        | (10,415)       | (6,641)        |
| <b>Net book value at the end of the period</b>     | <b>479,022</b> | <b>440,659</b> |
| <b>As of March 31</b>                              |                |                |
| Cost   | 626,294        | 546,404        |
| Accumulated amortisation                           | (147,272)      | (105,745)      |
| <b>Net book value</b>                              | <b>479,022</b> | <b>440,659</b> |

Net carrying value of the development costs as of March 31, 2011 is TRY 167,242 (March 31, 2010: TRY 142,110), and capitalized development costs in the period is TRY 13,663 (March 31, 2010: TRY 15,736).

**NOTE 14 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES**

Commitments are as follows:

|                               | <b>March 31, 2011</b> | <b>December 31, 2010</b> |
|-------------------------------|-----------------------|--------------------------|
| Operational lease commitments | 5,323                 | 5,965                    |

The Company has export commitment of full USD 673,886,739 in scope of export incentive as of March 31, 2011 (December 31, 2010: full USD 480,534,762).

**Derivative Financial Instruments**

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



**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

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

*March 31, 2011*

|     | <b>Foreign exchange<br/>purchase commitment</b> | <b>Forward exchange<br/>sales commitment</b> |
|-----|---|--|
| EUR | 75,554  | 8,485  |
| TRL | -   | 7,885  |
| USD | 28,810  | 3,793  |
| GBP | -   | 49,690                                       |
| PLN | 824   | 8,240  |
| RUB | 3,792   | 26,896                                       |
| SEK | -   | 3,403  |
|     | <b>108,980</b>                                  | <b>108,392</b>                               |

*December 31, 2010*

|     | <b>Foreign exchange<br/>purchase<br/>commitment</b> | <b>Forward exchange<br/>sales commitment</b> |
|-----|---|--|
| EUR | 93,903  | 3,396  |
| TRL | 23,930  | 11,830                                       |
| USD | 23,768  | -  |
| GBP | -   | 83,601                                       |
| PLN | 2,691   | 12,935                                       |
| RUB | 713   | 32,650                                       |
|     | <b>145,005</b>                                      | <b>144,412</b>                               |

|                      | <b>March 31, 2011</b> | <b>December 31, 2010</b> |
|----------------------|-----------------------|--------------------------|
| Collaterals obtained | 1,897,987             | 1,887,230                |

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

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

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

| <b>CPM's given by the Company</b>  | <b>March 31,<br/>2011</b> | <b>December 31,<br/>2010</b> |
|--|---------------------------|------------------------------|
| A. CPM's given for companies own legal personality   | 113,910                   | 110,512                      |
| B. CPM's given on behalf of fully consolidated companies   | 11,612                    | 11,595                       |
| C. CPM's given for continuation of its economic activities on behalf of third parties                    | -                         | -                            |
| D. Total amount of other CPM's   | -                         | -                            |
| i) Total amount of CPM's given on behalf of the majority shareholder                                     | -                         | -                            |
| ii) Total amount of CPM's given to on behalf of other Group Companies which are not in scope of B and C. | -                         | -                            |
| iii) Total amount of CPM's given on behalf of third parties which are not in scope of C.                 | -                         | -                            |
| <b>Total</b>   | <b>125,522</b>            | <b>122,107</b>               |

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

| <b>CPM's given</b> | <b>31 March 2011</b> | <b>31 December 2010</b> |
|--------------------|----------------------|-------------------------|
| USD                | 78,749               | 82,777                  |
| EUR                | 23,985               | 21,747                  |
| TRL                | 20,785               | 16,806                  |
| Other              | 2,003                | 777                     |
|                    | <b>125,522</b>       | <b>122,107</b>          |

**NOTE 15 - PROVISIONS**

|                                    | <b>31 March 2011</b> | <b>31 December 2010</b> |
|------------------------------------|----------------------|-------------------------|
| <b>Short-term provisions</b>       |                      |                         |
| Warranty provision                 | 123,575              | 111,890                 |
| Assembly provision                 | 47,138               | 38,774                  |
| Provision for transportation costs | 8,660                | 7,591                   |
| Provision for cost and expenses    | 6,764                | 6,235                   |
| Other                              | 36,724               | 40,670                  |
|                                    | <b>222,861</b>       | <b>205,160</b>          |
| <b>Long-term provisions</b>        |                      |                         |
| Warranty provision                 | 60,974               | 56,682                  |
| Other                              | 1,539                | 1,454                   |
|                                    | <b>62,513</b>        | <b>58,136</b>           |

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

**NOTE 16 - OTHER ASSETS AND LIABILITIES**

|   | <b>31 March 2011</b> | <b>31 December 2010</b> |
|---|----------------------|-------------------------|
| <b>Other current assets</b>                 |                      |                         |
| Prepaid expenses                            | 30,662               | 16,079                  |
| VAT and PCT receivables                     | 24,034               | 21,709                  |
| Taxes and funds deductible                  | 17,670               | 29,920                  |
| Advances given for inventory                | 17,043               | 16,222                  |
| Assets held for sale                        | 7,188                | 6,433                   |
| Other order advances given                  | 5,315                | 2,149                   |
| Prepaid taxes and funds                     | 241                  | 12,393                  |
| Other                                       | 6,622                | 13,079                  |
|   | <b>108,775</b>       | <b>117,984</b>          |
| <b>Other current liabilities</b>            |                      |                         |
| Accruals for customer premiums              | 77,464               | 47,781                  |
| Advances received                           | 32,702               | 71,620                  |
| Accruals for sales and marketing expenses   | 29,546               | 19,347                  |
| Accruals for license fee expenses           | 12,800               | 20,028                  |
| Accruals for advertising expenses           | 11,216               | 11,100                  |
| Accruals for bonuses and premiums           | 6,754                | 6,474                   |
| Liabilities attributable to the acquisition | 889                  | 1,669                   |
| Other                                       | 3,408                | 1,889                   |
|   | <b>174,779</b>       | <b>179,908</b>          |
| <b>Other non-current liabilities</b>        |                      |                         |
| Liabilities attributable to the acquisition | 809                  | 1,596                   |
| Other                                       | 2,459                | 2,302                   |
|   | <b>3,268</b>         | <b>3,898</b>            |

**NOT 17 - EQUITY**

**Paid-in capital**

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

|                                       | <b>31 March 2011</b> | <b>31 December 2010</b> |
|---------------------------------------|----------------------|-------------------------|
| Limit on registered share capital     | 1,500,000            | 1,500,000               |
| Issued share capital in nominal value | 675,728              | 675,728                 |

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

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

**NOTE 17 - EQUITY(Continued)**

The shareholding structure of the Company is as follows:

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

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

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

**Contribution to shareholders’ equity related to the merger**

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

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

**NOTE 17 - EQUITY(Continued)**

**Revaluation fund**

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

|   | <b>March 31, 2011</b> | <b>December 31, 2010</b> |
|---|-----------------------|--------------------------|
| Financial assets fair value reserve                             | 487,711               | 487,711                  |
| Non-current assets fair value reserve                           | 46,178                | 33,724                   |
| Foreign currency hedge of net investments in foreign operations | (25,095)              | (9,737)                  |
| Commodity hedge fund  | -                     | 271                      |
| <b>Revaluation fund total</b>                                   | <b>508,794</b>        | <b>511,969</b>           |

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:

|   | <b>March 31, 2011</b> | <b>December 31, 2010</b> |
|---|-----------------------|--------------------------|
| Legal reserves                                    | 185,902               | 164,281                  |
| Contribution to shareholders equity due to merger | 4,040                 | 4,040                    |
| Special reserves                                  | 124                   | 124                      |
|   | <b>190,066</b>        | <b>168,445</b>           |

The Company paid a cash dividend at the rate of 37,0%, which corresponds to full TRY 0,36997 gross and net cash dividend for the shares with a nominal value of full TRY 1.00 to institutional shareholders who are full taxpayers or limited liable taxpayers and obtain dividends through a business or permanent representative in Turkey. The Company paid also a cash dividend at the rate of 37,0%, which corresponds to full TRY 0,36997 gross and full TRY 0,31449 net cash dividend for the shares with a nominal value of full TRY 1.00 to other shareholders.

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

**NOTE 18 - OTHER INCOME AND EXPENSES**

|  | <b>1 January-<br/>31 March<br/>2011</b> | <b>1 January-<br/>31 March<br/>2010</b> |
|--|---|---|
| <b>Other operating income</b>                      |   |   |
| Income from claims and grants                      | 2,387                                   | 4,103                                   |
| Reversal of provisions for doubtful receivables    | 849                                     | 451                                     |
| Reversals of provisions                            | 122                                     | 615                                     |
| Income from sales of property, plant and equipment | 109                                     | 189                                     |
| Other  | 3,614                                   | 6,775                                   |
|  | <b>7,081</b>                            | <b>12,133</b>                           |
| <b>Other operating expenses</b>                    |   |   |
| Provision expense for doubtful receivables         | (3,730)                                 | (3,013)                                 |
| Provision expense for impairment on inventories    | (793)                                   | (1,700)                                 |
| Loss from sales of property, plant and equipment   | (728)                                   | (1,479)                                 |
| Other  | (4,762)                                 | (2,199)                                 |
|  | <b>(10,013)</b>                         | <b>(8,391)</b>                          |

**NOTE 19 - FINANCIAL INCOME**

|   | <b>1 January-<br/>31 March<br/>2011</b> | <b>1 January-<br/>31 March<br/>2010</b> |
|---|---|---|
| Foreign exchange gains                    | 117,868                                 | 45,594                                  |
| Credit finance income                     | 24,812                                  | 9,791                                   |
| Interest income                           | 13,919                                  | 11,559                                  |
| Gains on derivative financial instruments | 3,310                                   | 7,359                                   |
| Other                                     | 24                                      | 38                                      |
|   | <b>159,933</b>                          | <b>74,341</b>                           |

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

**NOTE 20 - FINANCIAL EXPENSES**

|  | <b>1 January-<br/>31 March<br/>2011</b> | <b>1 January-<br/>31 March<br/>2010</b> |
|--|---|---|
| Foreign exchange losses                    | (110,657)                               | (40,022)                                |
| Interest expenses                          | (23,716)                                | (30,753)                                |
| Credit finance charges                     | (8,306)                                 | (2,663)                                 |
| Cash discounts expenses                    | (4,222)                                 | (3,031)                                 |
| Losses on derivative financial instruments | (4,433)                                 | (3,877)                                 |
| Other                                      | (1,167)                                 | (1,093)                                 |
|  | <b>(152,501)</b>                        | <b>(81,439)</b>                         |

**NOTE 21 - TAX ASSETS AND LIABILITIES**

|                                       | <b>March 31, 2011</b> | <b>December 31, 2010</b> |
|---------------------------------------|-----------------------|--------------------------|
| Corporation and income taxes          | 21,697                | 82,688                   |
| Less: prepaid tax                     | (12,937)              | (63,718)                 |
| <b>Taxes payable (net)</b>            | <b>8,760</b>          | <b>18,970</b>            |
| Deferred tax assets                   | 40,756                | 39,244                   |
| Deferred tax liabilities              | (135,406)             | (128,549)                |
| <b>Deferred tax liabilities (net)</b> | <b>(94,650)</b>       | <b>(89,305)</b>          |

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

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

The taxes on income for the periods ended March 31 are summarised as follows:

|                              | <b>January 1-<br/>March 31,<br/>2011</b> | <b>January 1-<br/>March 31,<br/>2010</b> |
|------------------------------|--|--|
| Tax expenses                 |  |  |
| - Current period tax expense | (26,090)                                 | (28,967)                                 |
| - Deferred tax expense       | (2,496)                                  | 1,000                                    |
| <b>Tax expenses (net)</b>    | <b>(28,586)</b>                          | <b>(27,967)</b>                          |

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.

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

**NOTE 21 - TAX ASSETS AND LIABILITIES (Continued)**

|  | Cumulative temporary differences |                   | Deferred tax assets/ (liabilities) |                   |
|--|----------------------------------|-------------------|------------------------------------|-------------------|
|  | March 31, 2011                   | December 31, 2010 | March 31, 2011                     | December 31, 2010 |
| Property, plant and equipment and intangible assets  | 796,867                          | 755,046           | (166,847)                          | (158,277)         |
| Available-for-sale investments                       | 513,381                          | 513,381           | (25,669)                           | (25,669)          |
| Derivative financial instruments                     | 422                              | 946               | (84)                               | (189)             |
| Provision for warranty and assembly expenses         | (167,378)                        | (146,672)         | 33,041                             | 29,014            |
| Unused tax credits                                   | (98,796)                         | (91,109)          | 19,760                             | 18,223            |
| Provision for employment termination benefits        | (98,191)                         | (96,635)          | 19,638                             | 19,327            |
| Provision for impairment on inventories              | (63,843)                         | (64,941)          | 12,814                             | 12,996            |
| Accrual for licenses expenses                        | (12,800)                         | (20,028)          | 2,560                              | 4,006             |
| Provision for doubtful receivables                   | (7,950)                          | (6,796)           | 1,426                              | 1,215             |
| Unearned credit finance income/expense (net)         | (1,199)                          | (15,302)          | 230                                | 3,032             |
| Other  | (36,658)                         | (31,271)          | 8,481                              | 7,017             |
| <b>Deferred tax liabilities (net)</b>                |                                  |                   | <b>(94,650)</b>                    | <b>(89,305)</b>   |
|  |                                  |                   | <b>2011</b>                        | <b>2010</b>       |
| <b>As of January 1</b>                               |                                  |                   | <b>(89,305)</b>                    | <b>(53,692)</b>   |
| Tax expense recognized in income statement           |                                  |                   | (2,496)                            | 1,000             |
| Tax expense recognized in other comprehensive income |                                  |                   | (2,849)                            | 1,987             |
| <b>As of March 31</b>                                |                                  |                   | <b>(94,650)</b>                    | <b>(50,705)</b>   |

As a result of group management’s evaluation, deferred tax asset amounting to TRY 98,796 (December 31, 2010: TRY 91,109) out of tax discounts amounting to TRY 19,760 (December 31, 2010: TRY 18,223) is presumed and accounted in accordance with tax laws.



**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

**NOTE 22 - EARNINGS PER SHARE**

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

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

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

|   | <b>January 1-<br/>March 31,<br/>2011</b> | <b>January 1-<br/>March 31,<br/>2010</b> |
|---|--|--|
| Net income attribute to the equity holders of the parent                    | 125,606                                  | 109,645                                  |
| Weighted average number of ordinary shares with nominal value( Kr each one) | 67,572,820,500                           | 67,572,820,500                           |
| <b>Earnings per share (kr)</b>  | <b>0.186</b>                             | <b>0.162</b>                             |

**NOTE 23 – RELATED PARTY DISCLOSURES**

**(i) Balances with related parties**

|   | <b>March 31, 2011</b> | <b>December 31, 2010</b> |
|---|-----------------------|--------------------------|
| <b>(a) Due from related parties</b>                             |                       |                          |
| Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. | 28,616                | 10,153                   |
| Tanı Pazarlama ve İletişim Hizmetleri A.Ş.                      | 9,441                 | 12,559                   |
| Other   | 8,687                 | 157                      |
|   | <b>46,744</b>         | <b>22,869</b>            |

**(b) Due to related parties**

**Short term payables:**

|                                       |                |                |
|---------------------------------------|----------------|----------------|
| Arçelik-LG Klima San. ve Tic. A.Ş.    | 78,549         | 105,054        |
| Zer Merkezi Hizmetler ve Ticaret A.Ş. | 28,641         | 63,454         |
| Ram Dış Ticaret A.Ş.                  | 17,088         | 10,892         |
| Other                                 | 3,662          | 6,603          |
|                                       | <b>127,940</b> | <b>186,003</b> |

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

**NOTE 23 - RELATED PARTY DISCLOSURES (Continued)**

*Long term payables:*

|                                       |               |               |
|---------------------------------------|---------------|---------------|
| Zer Merkezi Hizmetler ve Ticaret A.Ş. | 62,314        | 63,681        |
|                                       | <b>62,314</b> | <b>63,681</b> |

**(c) Deposits**

|   |                |                |
|---|----------------|----------------|
| Yapı ve Kredi Bankası A.Ş. and its subsidiaries | 304,825        | 473,926        |
|   | <b>304,825</b> | <b>473,926</b> |

**(d) Bank borrowings**

|   | <b>31 March 2011</b> | <b>31 December 2010</b> |
|---|----------------------|-------------------------|
| Yapı ve Kredi Bankası A.Ş. and its subsidiaries | 277,833              | 259,851                 |
|   | <b>277,833</b>       | <b>259,851</b>          |

**e) Derivative financial instruments**

| <b>31 March 2011</b>                            | <b>Contract</b> | <b>Fair value</b>           |             |
|---|-----------------|-----------------------------|-------------|
|   | <b>Amount</b>   | <b>Assets/(Liabilities)</b> |             |
| Yapı ve Kredi Bankası A.Ş. and its subsidiaries | 98,288          | 373                         | (86)        |
|   | <b>98,288</b>   | <b>373</b>                  | <b>(86)</b> |

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

**(ii) Transactions with related parties**

|  | <b>January 1-<br/>March 31,<br/>2011</b> | <b>January 1-<br/>March 31,<br/>2010</b> |
|--|--|--|
| <b>(a) Sales of goods and services:</b>          |  |  |
| Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri |  |  |
| Pazarlama A.Ş.                                   | 24,570                                   | 17,400                                   |
| Zer Merkezi Hizmetler ve Ticaret A.Ş.            | 10,675                                   | 7,779                                    |
| Koçtaş Yapı Marketleri Ticaret A.Ş.              | 4,404                                    | 2,616                                    |
| Arçelik-LG Klima San. ve Tic. A.Ş.               | 2,596                                    | 2,875                                    |
| Other  | 2,228                                    | 2,076                                    |
|  | <b>44,473</b>                            | <b>32,746</b>                            |

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

**NOTE 23 - RELATED PARTY DISCLOSURES (Continued)**

**(b) Purchases of goods and services**

|  | <b>January 1-<br/>March 31,<br/>2011</b> | <b>January 1-<br/>March 31,<br/>2010</b> |
|--|--|--|
| Zer Merkezi Hizmetler ve Ticaret A.Ş.              | 74,619                                   | 71,186                                   |
| Arçelik-LG Klima San. ve Tic. A.Ş.                 | 68,082                                   | 33,057                                   |
| Ram Dış Ticaret A.Ş.                               | 17,765                                   | 8,455                                    |
| Ram Sigorta Aracılık Hiz. A.Ş.                     | 16,561                                   | 16,031                                   |
| Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.       | 4,533                                    | 6,190                                    |
| Koç Holding A.Ş.                                   | 2,478                                    | 2,313                                    |
| Aygaz Doğal Gaz Toptan Satış A.Ş.                  | 2,163                                    | 1,250                                    |
| Setur Servis Turistik A.Ş.                         | 1,525                                    | 2,382                                    |
| Tanı Pazarlama ve İletişim Hizmetleri A.Ş.         | 1,351                                    | 735                                      |
| Koçnet Haberleşme Teknoloji ve İletişim Hizm. A.Ş. | 1,024                                    | 1,632                                    |
| Other  | 4,545                                    | 5,526                                    |
|  | <b>194,646</b>                           | <b>148,766</b>                           |

**(c) Key management compensation**

Total compensation provided to Board of Directors, General Manager and Assistant General Managers by the Company during the period ended March 31, 2011 amounts to TRY 5,388 (March 31,2010: TRY 1,098). The compensation includes only short-term employee benefits.

**(d) Other transactions**

|   | <b>January 1-<br/>March 31,<br/>2011</b> | <b>January 1-<br/>March 31,<br/>2010</b> |
|---|--|--|
| <i>Interest expense:</i>                        |  |  |
| Yapı ve Kredi Bankası A.Ş. and its subsidiaries | 1,662                                    | 1,507                                    |
| <i>Interest income:</i>                         |  |  |
| Yapı ve Kredi Bankası A.Ş. and its subsidiaries | 3,402                                    | 1,870                                    |

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

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

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

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

***Liquidity Risk***

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

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

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

***Interest Rate Risk***

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

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

***Funding risk***

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

***Credit risk***

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

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

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

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

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

**NOTE 24 - NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (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 March 31, 2011 and December 31, 2010 are as follows:

| <b>March 31, 2011</b>   | <b>Trade receivables</b> |                    | <b>Deposits in banks</b> | <b>Derivative financial instruments</b> |
|---|--------------------------|--------------------|--------------------------|---|
|   | <b>Related party</b>     | <b>Third party</b> |                          |   |
| <b>Maximum exposed credit risk as of reporting date <sup>(1)</sup></b>  | <b>46,744</b>            | <b>2,304,312</b>   | <b>1,041,575</b>         | <b>46,744</b>                           |
| Secured portion of the maximum credit risk by guarantees, etc.          | -                        | (1,728,677)        | -                        | -                                       |
| A. Net book value of financial asset either are not due or not impaired | 46,744                   | 2,108,972          | 1,041,574                | 46,744                                  |
| -Secured portion by guarantees, etc                                     | -                        | (1,567,303)        | -                        | -                                       |
| B. Financial assets with renegotiated conditions                        | -                        | 22,295             | -                        | -                                       |
| -Secured portion by guarantees, etc,                                    | -                        | (21,076)           | -                        | -                                       |
| C. Net book value of overdue but not impaired financial assets          | -                        | 128,908            | -                        | -                                       |
| -Secured portion by guarantees, etc,                                    | -                        | (96,161)           | -                        | -                                       |
| D. Net book value of the impaired assets                                | -                        | 44,137             | -                        | -                                       |
| -Overdue (Gross book value)   | -                        | 159,713            | -                        | -                                       |
| -Impairment (-)   | -                        | (115,576)          | -                        | -                                       |
| -Secured portion of the net value by guarantees, etc.                   | -                        | (44,137)           | -                        | -                                       |
| <b>December 31, 2010</b>  | <b>Trade receivables</b> |                    | <b>Deposits in banks</b> | <b>Derivative financial instruments</b> |
|   | <b>Related party</b>     | <b>Third party</b> |                          |   |
| <b>Maximum exposed credit risk as of reporting date <sup>(1)</sup></b>  | <b>22,869</b>            | <b>2,314,170</b>   | <b>1,286,384</b>         | <b>1,185</b>                            |
| Secured portion of the maximum credit risk by guarantees, etc.          | -                        | (1,725,492)        | -                        | -                                       |
| A. Net book value of financial asset either are not due or not impaired | 22,869                   | 2,098,900          | 1,286,384                | 1,185                                   |
| -Secured portion by guarantees, etc.                                    | -                        | (1,559,134)        | -                        | -                                       |
| B. Financial assets with renegotiated conditions                        | -                        | 21,387             | -                        | -                                       |
| -Secured portion by guarantees, etc.                                    | -                        | (20,108)           | -                        | -                                       |
| C. Net book value of overdue but not impaired financial assets          | -                        | 148,556            | -                        | -                                       |
| -Secured portion by guarantees, etc.                                    | -                        | (101,196)          | -                        | -                                       |
| D. Net book value of the impaired assets                                | -                        | 45,327             | -                        | -                                       |
| -Overdue (Gross book value)   | -                        | 155,938            | -                        | -                                       |
| -Impairment (-)   | -                        | (110,611)          | -                        | -                                       |
| -Secured portion of the net value by guarantees, etc.                   | -                        | (45,054)           | -                        | -                                       |

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

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

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

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

|         | <b>March 31, 2011</b> | <b>December 31, 2010</b> |
|---------|-----------------------|--------------------------|
| Group 1 | 26,993                | 10,045                   |
| Group 2 | 2,024,665             | 1,940,405                |
| Group 3 | 126,353               | 192,706                  |
|         | <b>2,178,011</b>      | <b>2,143,156</b>         |

Group 1 - New customers (customers for a period less than three months).

Group 2 - Existing customers with no defaults in the past (customers for a period of more than three months).

Group 3 - Existing customers with some defaults in the past of which were fully recovered.

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

|             | <b>March 31, 2011</b> | <b>December 31, 2010</b> |
|-------------|-----------------------|--------------------------|
| 0-1 month   | 47,564                | 74,712                   |
| 1-3 months  | 34,467                | 27,378                   |
| 3-12 months | 25,277                | 29,305                   |
| 1-5 years   | 21,600                | 17,161                   |
|             | <b>128,908</b>        | <b>148,556</b>           |

***Foreign exchange risk***

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

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

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

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

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

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

*Foreign currency hedge of net investments in a foreign operation*

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

*Foreign currency position*

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

|  | <b>March 31, 2011</b> | <b>December 31, 2010</b> |
|--|-----------------------|--------------------------|
| Assets   | 1,238,846             | 1,362,205                |
| Liabilities  | (1,487,603)           | (1,586,420)              |
| <b>Net balance sheet position</b>                                  | <b>(248,757)</b>      | <b>(224,215)</b>         |
| Net position of off-balance sheet derivative financial instruments | 270,296               | 131,932                  |
| <b>Net foreign currency position</b>                               | <b>21,539</b>         | <b>(92,283)</b>          |

(CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH – SEE NOTE 2.4)

## ARÇELİK ANONİM ŞİRKETİ

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31

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

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

Currencies, other than the functional currencies of the Company and its’ subsidiaries regarding to national economies, are accepted as foreign currencies. The original currencies are presented in thousands (“000”). The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent at March 31, 2011 are as follows:

|                                      | EUR              | USD             | GBP           | RUB              | PLN           | RON        | CZK           | NOK           | SEK           | AED          | TL<br>Equivalent |
|--------------------------------------|------------------|-----------------|---------------|------------------|---------------|------------|---------------|---------------|---------------|--------------|------------------|
| <b>Current assets</b>                |                  |                 |               |                  |               |            |               |               |               |              |                  |
| Trade receivables                    | 244,114          | 96,752          | 78,241        | 1,048,162        | 32,883        | 473        | 15,290        | 12,056        | 38,931        | 3,328        | 966,949          |
| Monetary financial assets            | 47,054           | 59,588          | 1             | 31               | 66            | 398        | -             | -             | -             | -            | 195,163          |
| Other                                | 17,437           | 24,925          | 41            | -                | -             | -          | -             | -             | -             | -            | 76,734           |
| <b>Total assets</b>                  | <b>308,605</b>   | <b>181,265</b>  | <b>78,283</b> | <b>1,048,193</b> | <b>32,949</b> | <b>871</b> | <b>15,290</b> | <b>12,056</b> | <b>38,931</b> | <b>3,328</b> | <b>1,238,846</b> |
| <b>Current liabilities</b>           |                  |                 |               |                  |               |            |               |               |               |              |                  |
| Trade payables                       | 67,689           | 79,097          | 137           | -                | -             | -          | -             | 167           | 7,342         | -            | 272,307          |
| Financial liabilities                | 191,823          | 968             | 557           | -                | -             | -          | -             | -             | -             | -            | 421,364          |
| Other monetary financial liabilities | 1,937            | 6,643           | 358           | -                | -             | -          | -             | -             | -             | -            | 15,400           |
| <b>Non-current liabilities</b>       |                  |                 |               |                  |               |            |               |               |               |              |                  |
| Trade payables                       | -                | 40,247          | -             | -                | -             | -          | -             | -             | -             | -            | 62,314           |
| Financial liabilities                | 200,015          | 100,000         | 50,000        | -                | -             | -          | -             | -             | -             | -            | 715,408          |
| Other monetary financial liabilities | -                | -               | 326           | -                | -             | -          | -             | -             | -             | -            | 810              |
| <b>Total liabilities</b>             | <b>461,464</b>   | <b>226,955</b>  | <b>51,378</b> | <b>-</b>         | <b>-</b>      | <b>-</b>   | <b>-</b>      | <b>167</b>    | <b>7,342</b>  | <b>-</b>     | <b>1,487,603</b> |
| <b>Net balance sheet position</b>    | <b>(152,859)</b> | <b>(45,690)</b> | <b>26,905</b> | <b>1,048,193</b> | <b>32,949</b> | <b>871</b> | <b>15,290</b> | <b>11,889</b> | <b>31,589</b> | <b>3,328</b> | <b>(248,757)</b> |
| Off-balance sheet                    |                  |                 |               |                  |               |            |               |               |               |              |                  |
| derivative financial assets (*)      | 154,632          | 18,608          | -             | 70,500           | 1,500         | -          | -             | -             | -             | -            | 370,769          |
| Off-balance sheet                    |                  |                 |               |                  |               |            |               |               |               |              |                  |
| derivative financial liabilities     | (3,889)          | (2,450)         | (20,000)      | (500,000)        | (15,000)      | -          | -             | -             | (14,000)      | -            | (100,473)        |
| Net position of                      |                  |                 |               |                  |               |            |               |               |               |              |                  |
| off-balance sheet items              | 150,743          | 16,158          | (20,000)      | (429,500)        | (13,500)      | -          | -             | -             | (14,000)      | -            | 270,296          |
| <b>Net foreign currency</b>          |                  |                 |               |                  |               |            |               |               |               |              |                  |
| <b>asset/ (liability) position</b>   | <b>(2,116)</b>   | <b>(29,532)</b> | <b>6,905</b>  | <b>618,693</b>   | <b>19,449</b> | <b>871</b> | <b>15,290</b> | <b>11,889</b> | <b>17,589</b> | <b>3,328</b> | <b>21,539</b>    |

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



(CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH – SEE NOTE 2.4)

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

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

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

|                          | EUR            | USD             | GBP          | RUB            | PLN           | RON        | CZK           | NOK           | SEK           | AED          | TL<br>Equivalent |
|--------------------------|----------------|-----------------|--------------|----------------|---------------|------------|---------------|---------------|---------------|--------------|------------------|
| Against TRY              | (15,848)       | (22,392)        | 3,162        | 618,693        | 19,449        | 871        | 15,290        | 12,056        | 24,931        | 3,328        | (4,835)          |
| Against EUR              | -              | (924)           | -            | -              | -             | -          | -             | -             | -             | -            | (1,431)          |
| Against RUB              | (2,170)        | (4,805)         | -            | -              | -             | -          | -             | -             | -             | -            | (12,174)         |
| Against PLN              | (4,086)        | (90)            | -            | -              | -             | -          | -             | -             | -             | -            | (9,053)          |
| Against GBP              | 3,220          | -               | -            | -              | -             | -          | -             | -             | -             | -            | 7,025            |
| Against RON              | 32,842         | (3,870)         | 2,814        | -              | -             | -          | -             | -             | -             | -            | 72,647           |
| Against CZK              | (4,920)        | -               | -            | -              | -             | -          | -             | -             | -             | -            | (10,733)         |
| Against NOK              | 172            | -               | -            | -              | -             | -          | -             | -             | (7,342)       | -            | (1,410)          |
| Against SEK              | (6,719)        | -               | -            | -              | -             | -          | -             | (167)         | -             | -            | (14,704)         |
| Against CNY              | 413            | 2,548           | 929          | -              | -             | -          | -             | -             | -             | -            | 7,158            |
| Against other currencies | (5,020)        | -               | -            | -              | -             | -          | -             | -             | -             | -            | (10,951)         |
|                          | <b>(2,116)</b> | <b>(29,533)</b> | <b>6,905</b> | <b>618,693</b> | <b>19,449</b> | <b>871</b> | <b>15,290</b> | <b>11,889</b> | <b>17,589</b> | <b>3,328</b> | <b>21,539</b>    |

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

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

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

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

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

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

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

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

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

As of March 31, 2011, sensitivity analysis of foreign exchange rates is presented below:

|                                   | Gain/Loss                     |                               | Equity                        |                               |
|-----------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|                                   | Foreign exchange appreciation | Foreign exchange depreciation | Foreign exchange appreciation | Foreign exchange depreciation |
| +/-10% fluctuation of USD rate    |                               |                               |                               |                               |
| USD net asset/liability           | (7,074)                       | 7,074                         | (7,074)                       | 7,074                         |
| Secured portion from USD risk (*) | 2,502                         | (2,502)                       | 2,502                         | (2,502)                       |
| <b>USD net effect</b>             | <b>(4,572)</b>                | <b>4,572</b>                  | <b>(4,572)</b>                | <b>4,572</b>                  |
| +/-10% fluctuation of EUR rate    |                               |                               |                               |                               |
| EUR net asset/liability           | (33,348)                      | 33,348                        | (23,851)                      | 23,851                        |
| Secured portion from EUR risk (*) | 32,886                        | (32,886)                      | 32,886                        | (32,886)                      |
| <b>EUR net effect</b>             | <b>(462)</b>                  | <b>462</b>                    | <b>9,035</b>                  | <b>(9,035)</b>                |
| +/-10% fluctuation of GBP rate    |                               |                               |                               |                               |
| GBP net asset/liability           | 6,685                         | (6,685)                       | 20,373                        | (20,373)                      |
| Secured portion from GBP risk (*) | (4,969)                       | 4,969                         | (4,969)                       | 4,969                         |
| <b>GBP net effect</b>             | <b>1,716</b>                  | <b>(1,716)</b>                | <b>15,404</b>                 | <b>(15,404)</b>               |
| +/-10% fluctuation of RUB rate    |                               |                               |                               |                               |
| RUB net asset/liability           | 5,638                         | (5,638)                       | 19,283                        | (19,283)                      |
| Secured portion from RUB risk (*) | (2,310)                       | 2,310                         | (2,310)                       | 2,310                         |
| <b>RUB net effect</b>             | <b>3,328</b>                  | <b>(3,328)</b>                | <b>16,973</b>                 | <b>(16,973)</b>               |
| +/-10% fluctuation of RON rate    |                               |                               |                               |                               |
| RON net asset/liability           | 46                            | (46)                          | 24,673                        | (24,673)                      |
| Secured portion from RON risk (*) | -                             | -                             | -                             | -                             |
| <b>RON net effect</b>             | <b>46</b>                     | <b>(46)</b>                   | <b>24,673</b>                 | <b>(24,673)</b>               |
| +/-10% fluctuation of PLN rate    |                               |                               |                               |                               |
| PLN net asset/liability           | 1,803                         | (1,803)                       | 3,854                         | (3,854)                       |
| Secured portion from PLN risk (*) | (739)                         | 739                           | (739)                         | 739                           |
| <b>PLN net effect</b>             | <b>1,064</b>                  | <b>(1,064)</b>                | <b>3,115</b>                  | <b>(3,115)</b>                |
| +/-10% fluctuation of CZK rate    |                               |                               |                               |                               |
| CZK net asset/liability           | 137                           | (137)                         | 533                           | (533)                         |
| Secured portion from CZK risk (*) | -                             | -                             | -                             | -                             |
| <b>CZK net effect</b>             | <b>137</b>                    | <b>(137)</b>                  | <b>533</b>                    | <b>(533)</b>                  |
| +/-10% fluctuation of NOK rate    |                               |                               |                               |                               |
| NOK net asset/liability           | 329                           | (329)                         | (728)                         | 728                           |
| Secured portion from NOK risk (*) | -                             | -                             | -                             | -                             |
| <b>NOK net effect</b>             | <b>329</b>                    | <b>(329)</b>                  | <b>(728)</b>                  | <b>728</b>                    |
| +/-10% fluctuation of SEK rate    |                               |                               |                               |                               |
| SEK net asset/liability           | 768                           | (768)                         | 1,015                         | (1,015)                       |
| Secured portion from SEK risk (*) | (340)                         | 340                           | (340)                         | 340                           |
| <b>SEK net effect</b>             | <b>428</b>                    | <b>(428)</b>                  | <b>675</b>                    | <b>(675)</b>                  |
| +/-10% fluctuation of AED rate    |                               |                               |                               |                               |
| AED net asset/liability           | 141                           | (141)                         | 141                           | (141)                         |
| Secured portion from AED risk (*) | -                             | -                             | -                             | -                             |
| <b>AED net effect</b>             | <b>141</b>                    | <b>(141)</b>                  | <b>141</b>                    | <b>(141)</b>                  |
|                                   | <b>2,155</b>                  | <b>(2,155)</b>                | <b>65,247</b>                 | <b>(65,247)</b>               |

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

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

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

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

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

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

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31**

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

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

Import and exports performed to / from Turkey for the periods ended March 31, are as follows:

|                      | March 31, 2011               |                   | March 31, 2010               |                   |
|----------------------|------------------------------|-------------------|------------------------------|-------------------|
|                      | Original amount<br>(in full) | TRY<br>equivalent | Original amount<br>(in full) | TRY<br>equivalent |
| EUR                  | 164,641,827                  | 354,680           | 181,018,675                  | 375,322           |
| USD                  | 67,566,585                   | 106,163           | 70,292,130                   | 106,542           |
| GBP                  | 48,723,042                   | 122,435           | 51,064,051                   | 119,747           |
| Other                |                              | 52,858            |                              | 19,788            |
| <b>Total exports</b> |                              | <b>636,136</b>    |                              | <b>621,399</b>    |
| EUR                  | 91,674,475                   | 195,555           | 79,194,485                   | 168,509           |
| USD                  | 169,788,050                  | 265,956           | 157,821,775                  | 249,544           |
| GBP                  | 136,235                      | 340               | 128,078                      | 317               |
| Other                |                              | 544               |                              | 766               |
| <b>Total imports</b> |                              | <b>462,395</b>    |                              | <b>419,136</b>    |

**NOTE 25 - SUPPLEMENTARY CASH FLOW INFORMATION**

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

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

|   | March 31, 2011   | March 31, 2010 |
|---|------------------|----------------|
| <b>Changes in provisions:</b>                       |                  |                |
| Accrual for customer premiums                       | 29,683           | 706            |
| Warranty provision                                  | 15,977           | (2,508)        |
| Accrual for sales and marketing expenses            | 10,199           | 15,195         |
| Assembly and transportation provision               | 9,433            | 6,855          |
| Provision for doubtful receivables                  | 3,730            | 3,013          |
| Provision for employment termination benefits       | 1,906            | 1,539          |
| Provision for impairment on inventories             | 793              | 1,700          |
| Accrual for bonuses and premiums                    | 280              | 4,018          |
|   | <b>72,001</b>    | <b>30,518</b>  |
| <b>Changes in operating assets and liabilities:</b> |                  |                |
| Inventories   | (136,026)        | (42,266)       |
| Trade payables and due to related parties           | (83,730)         | (24,467)       |
| Other current assets and liabilities                | (67,611)         | (52,058)       |
| Trade receivables and due from related parties      | (17,747)         | 179,089        |
| Other non-current liabilities                       | (546)            | (2,778)        |
|   | <b>(305,660)</b> | <b>57,520</b>  |