

ARÇELİK ANONİM ŞİRKETİ

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2010**

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2010

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

ARÇELİK ANONİM ŞİRKETİ

**CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS
AT 31 MARCH 2010 AND 31 DECEMBER 2009**

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

		Unaudited	Audited
	Notes	31 March 2010	31 December 2009
ASSETS			
Current assets:			
Cash and cash equivalents	5	709,354	904,734
Derivative financial instruments	8	2,924	4,444
Trade receivables	9	2,041,403	2,233,011
Inventories	10	947,352	906,786
Other current assets	17	112,682	108,980
Total current assets		3,813,715	4,157,955
Non-current assets:			
Trade receivables	9	13,760	4,254
Financial investments	6	395,814	395,814
Associates	11	125,052	129,169
Investment property	12	5,581	6,344
Property, plant and equipment	13	1,225,156	1,244,109
Intangible assets	14	440,659	439,993
Goodwill		7,304	7,511
Deferred tax assets	22	43,971	41,509
Total non-current assets		2,257,297	2,268,703
Total assets		6,071,012	6,426,658

These condensed interim consolidated financial statements as at and for the period ended 31 March 2010 have been approved for issue by the Board of Directors on 27 April 2010 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.

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**CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS
AT 31 MARCH 2010 AND 31 DECEMBER 2009**

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

	Notes	Unaudited	Audited
		31 March 2010	31 December 2009
LIABILITIES			
Current liabilities:			
Financial liabilities	7	1,587,348	1,923,727
Derivative financial instruments	8	904	698
Trade payables	9	738,556	762,402
Other payables		112,216	104,533
Current income tax liabilities	22	6,907	14,356
Provisions	16	205,331	204,659
Other current liabilities	17	164,445	169,288
Total current liabilities		2,815,707	3,179,663
Non-current liabilities:			
Financial liabilities	7	193,786	188,314
Trade payables	9	66,759	67,380
Provisions for employment termination benefits		86,874	85,335
Deferred tax liabilities	22	94,676	95,201
Provisions	16	56,818	60,761
Other non-current liabilities	17	4,629	6,501
Total non-current liabilities		503,542	503,492
Total liabilities		3,319,249	3,683,155
Equity			
Paid in capital	18	675,728	675,728
Adjustment to share capital	18	468,811	468,811
Share premium		889	889
Revaluation fund	18	274,699	283,558
Translation reserve		36,926	35,137
Restricted reserves	18	168,445	161,824
Additional contribution to shareholders' equity related to the merger	18	14,507	14,507
Retained earnings		953,412	574,257
Net income for the period		109,645	485,410
Attributable to:			
Equity holders of the parent		2,703,062	2,700,121
Minority interest		48,701	43,382
Total equity		2,751,763	2,743,503
Total liabilities and equity		6,071,012	6,426,658
Commitments, contingent assets and liabilities	15		

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**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE - MONTH PERIODS ENDED 31 MARCH**

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

	Notes	Unaudited	
		1 January- 31 March 2010	1 January- 31 March 2009
Net sales	4	1,486,923	1,333,846
Cost of sales		(1,003,445)	(982,689)
Gross profit		483,478	351,157
Selling and marketing expenses		(246,246)	(228,663)
General administrative expenses		(80,143)	(74,922)
Research and development expenses		(9,375)	(11,854)
Other income	19	12,133	127,119
Other expenses	19	(8,391)	(8,193)
Operating profit		151,456	154,644
Income from associates	11	355	1,117
Financial income	20	74,341	160,793
Financial expenses	21	(81,439)	(271,656)
Income before tax		144,713	44,898
Income tax expense			
- Taxes on income	22	(28,967)	(3,338)
- Deferred tax income	22	1,000	9,735
Net income		116,746	51,295
Attributable to:			
Minority interest		7,101	(2,143)
Equity holders of the parent		109,645	53,438
Earnings per share (Kr)	23	0.162	0.126

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**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME FOR THE THREE - MONTH PERIODS ENDED 31 MARCH**

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

	Unaudited	
	1 January- 31 March 2010	1 January- 31 March 2009
Net income	112,791	(12,183)
Other comprehensive income/ (loss):		
Fair value gains/losses on non-current assets (net)	94	101
Translation differences	(8,580)	6,498
Reclassification adjustments:		
Financial assets valuation fund (net)	-	(110,486)
Other comprehensive loss (after tax)	(8,486)	(103,887)
Total comprehensive income/(loss)	108,260	(52,592)
Distribution of total comprehensive: income/(loss):		
Minority interest	5,319	(286)
Equity holders of the parent	102,941	(52,306)

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

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

	Paid in	Adjustment to share	Share	Revaluation	Translation	Restricted	Contribution to	Retained	Net	Equity	Minority	Total
	capital	capital	premium	fund	Reserve	reserves	shareholders' equity due to merger	earnings	for the period	attributable to Equity holders of the parent	interest	equity
Balances at 1 January 2009	399,960	468,811	96	287,902	40,800	157,784	-	542,917	39,794	1,938,064	63,265	2,001,329
Dividend to be distributed												
as bonus shares	-	-	-	-	-	-	-	(9,999)	-	(9,999)	-	(9,999)
Transfers	-	-	-	-	-	-	-	39,794	(39,794)	-	-	-
Total comprehensive												
income/(loss)	-	-	-	(108,861)	2,787	-	-	330	53,438	(52,306)	(286)	(52,592)
Balances at 31 March 2009	399,960	468,811	96	179,041	43,587	157,784	-	573,042	53,438	1,875,759	62,979	1,938,738
Balances at 1 January 2010	675,728	468,811	889	283,558	35,137	161,824	14,507	574,257	485,410	2,700,121	43,382	2,743,503
Transfers	-	-	-	-	-	-	-	485,410	(485,410)	-	-	-
Dividends paid	-	-	-	-	-	6,621	-	(106,621)	-	(100,000)	-	(100,000)
Total comprehensive												
income/(loss)	-	-	-	(8,859)	1,789	-	-	366	109,645	102,941	5,319	108,260
Balances at 31 March 2010	675,728	468,811	889	274,699	36,926	168,445	14,507	953,412	109,645	2,703,062	48,701	2,751,763

(*) It was decided in the general meeting held on 25 March 2009 to be added to paid-in capital and the addition to paid-in capital was registered on 18 June 2009.

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

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

	Notes	Unaudited	
		31 March 2010	31 March 2009
Operating activities:			
Income before tax		144,713	44,898
<i>Adjustments to reconcile net cash provided from operating activities to income before taxes:</i>			
Changes in provisions	26	30,518	41,258
Depreciation and amortisation		44,909	44,658
Interest income	20	(11,559)	(5,759)
Interest expenses	21	30,753	119,205
Income from associates (net)	11	(355)	(1,117)
Losses from sales of tangible and intangible assets (net)		1,290	411
Income from sales of financial assets		-	(116,302)
		240,269	127,252
Changes in operating assets and liabilities (net)	26	57,520	329,937
Corporate taxes paid		(9,178)	(4,062)
Cash flows from operating activities		288,611	453,127
Investing activities:			
Cash provided from sales of tangible and intangible assets		1,364	1,852
Acquisition of tangible and intangible assets		(34,676)	(30,761)
Cash provided from sales of financial assets		-	249,998
Dividends received	11	4,472	-
Translation differences (net)		(5,050)	4,605
Cash flows from investing activities		(33,890)	225,694
Financing activities:			
Decrease in bank borrowings (net)		(328,839)	(589,710)
Interest paid		(32,821)	(123,558)
Dividends paid		(100,000)	-
Interest received		11,559	5,759
Cash flows from financing activities		(450,101)	(707,509)
Net decrease in cash and cash equivalents		(195,380)	(28,688)
Cash and cash equivalents at 1 January		904,734	415,586
Cash and cash equivalents at 31 March		709,354	386,898

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

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

NOTE 1 - GROUP’S ORGANISATION AND NATURE OF OPERATIONS

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

The Company’s head office is located at:

Karaağaç Caddesi No: 2-6
Sütlüce 34445 Beyoğlu
Istanbul / Turkey

The Company is registered with the Capital Markets Board (“CMB”) and its shares have been quoted on the Istanbul Stock Exchange (“ISE”) since 1986. At 31 March 2010, the publicly quoted shares are 23.26% of the total shares. At 31 March 2010, the principal shareholders and their respective shareholdings in the Company are as follows (Note 18):

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

The average number of employees of the Group as of 31 March 2010 is 16,883 (31 December 2009: 16,775).

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

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

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

Subsidiaries	Country of incorporation	Core Business	Nature of business
Archin Limited ("Archin")(*)	Hong Kong, China	Sales	Consumer durables/Electronics
ArcticPro SRL ("ArcticPro")(*)	Romania	Service	Consumer durables
Ardutch B.V. ("Ardutch")	Netherlands	Investment	Holding
Bekodutch B.V. ("Bekodutch")	Netherlands	Investment	Holding
Beko Cesko ("Beko Cesko")(*)	Czech Republic	Sales	Consumer durables/Electronics
Beko Deutschland GmbH ("Beko Deutschland")	Germany	Sales	Consumer durables/Electronics
Beko Electronics España S.L. ("Beko Espana")	Spain	Sales	Consumer durables/Electronics
Beko Elektronik Llc ("Beko Elektronik Russia") (*)	Russia	Production/Sales	Electronics
Beko France S.A. (Beko France")	France	Sales	Consumer durables/Electronics
Beko Italy SRL ("Beko Italy")	Italy	Sales	Consumer durables/Electronics
Beko Llc. ("Beko Russia")	Russia	Production/Sales	Consumer durables/Electronics
Beko Magyarorszag K.F.T. ("Beko Magyarorszag")(*)	Hungary	Sales	Consumer durables/Electronics
Beko Plc. ("Beko UK")	UK	Sales	Consumer durables/Electronics
Beko Slovakia S.R.O. ("Beko Slovakia")	Slovakia	Sales	Consumer durables/Electronics
Beko S.A. ("Beko Polska")	Poland	Sales	Consumer durables/Electronics
Beko S.A. Czech Republic ("Beko Czech")	Czech Republic	Sales	Consumer durables/Electronics
Beko S.A. Hungary ("Beko Hungary")(*)	Hungary	Sales	Consumer durables/Electronics
Beko Shanghai Trading Company Ltd. ("Beko Shanghai")	China	Sales	Consumer durables/Electronics
Blomberg Vertriebsgesellschaft GmbH ("Blomberg Vertrieb") (*)	Germany	Sales	Consumer durables/Electronics
Blomberg Werke GmbH ("Blomberg Werke") (*)	Germany	Production	Consumer durables/Electronics
Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China")	China	Production/Sales	Consumer durables/Electronics
Elektra Bregenz AG ("Elektra Bregenz")	Austria	Sales	Consumer durables/Electronics
Fusion Digital Techology Ltd. ("Fusion Digital") (*)	UK	Technology	Electronics
Grundig Multimedia B.V. ("Grundig Multimedia")	Netherlands	Investment	Holding
Grundig AG ("Grundig Switzerland") (*)	Sweden	Sales	Electronics
Grundig Benelux B.V. ("Grundig Benelux") (*)	Netherlands	Sales	Electronics
Grundig Ceska Republika S.r.o ("Grundig Ceska") (*)	Czech Republic	Sales	Electronics
Grundig Danmark A/S ("Grundig Denmark") (*)	Denmark	Sales	Electronics
Grundig España S.A. ("Grundig Espana")	Spain	Sales	Electronics
Grundig Intermedia Ges.m.b.H ("Grundig Austria")	Austria	Sales	Electronics
Grundig Intermedia GmbH ("Grundig Intermedia")	Germany	Sales	Electronics
Grundig Italiana S.p.A. ("Grundig Italy")	Italy	Sales	Electronics
Grundig Magyarország Kft. ("Grundig Hungary") (*)	Hungary	Sales	Electronics
Grundig Norge AS ("Grundig Norway")	Norway	Sales	Electronics
Grundig OY ("Grundig Finland") (*)	Finland	Sales	Electronics
Grundig Polska Sp. Z o.o. ("Grundig Polska")	Poland	Sales	Electronics
Grundig Portuguesa, Lda ("Grundig Portugal") (*)	Portugal	Sales	Electronics
Grundig Slovakia s.r.o ("Grundig Slovakia") (*)	Slovakia	Sales	Electronics
Grundig Svenska AB. ("Grundig Sweden")	Sweden	Sales	Electronics
Raupach Wollert GmbH ("Raupach")	Germany	Investment	Holding
SC Arctic SA ("Arctic")	Romania	Production/Sales	Consumer durables/Electronics

(*) Inactive as of balance sheet date.

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

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

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

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

In accordance with the Communiqué No: XI-29, the 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 mentioned condensed interim 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 condensed interim 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 14 April 2008 and 9 January 2009, including the compulsory disclosures.

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

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

Adoption of new and revised International Financial Reporting Standards:

a) 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.
- Revision and interpretations affecting presentation and disclosure:
The Group has applied the revision in IFRS 8 “Operating Segments”, Disclosure of information about segment assets within the scope of Annual Improvements to IFRS’s in the related note.

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

- Improvements to IFRSs issued in 2009: Standards and interpretations revised except for the revised standard IFRS 8 Operating Segments” stated in the above section “a”.
- IFRS 1 “First-time Adoption of International Financial Reporting Standards”.
- IFRS 2 “Share-Based Payments”, Group Cash-settled Share-based Payment Transactions.
- IFRS 3 “Business combinations” and IAS 27 “Consolidated and Separate Financial Statements”.
- IAS 39 “Financial Instruments: Measurement and Recognition”, Eligible hedged items.
- IFRIC Interpretation 17 “Distributions of Non-cash Assets to Owners”.

c) Standards, revision and interpretations in issue but not yet adopted on financial statements:

- IFRS 9 “Financial Instruments”. The standard is effective for annual periods beginning on or after 1 January 2013. The Group is assessing the impact of the adoption of new standard.
- IAS 24 “Related party disclosures”, Revised definition of related parties. The revision is effective for annual periods beginning on or after 1 January 2011. The Group is assessing the impact of the adoption of revised standard.
- IAS 32 “Financial Instruments: Presentation”, Classification of rights issue. The revision is effective for annual periods beginning on or after 1 February 2010. It is expected that the adoption of revised standard will not have a significant effect on financial statements of the Group.
- IFRIC Interpretation 19 “Extinguishing financial liabilities with equity instruments”. The interpretation is effective for annual periods beginning on or after 1 July 2010. It is expected that the adoption of interpretation will not have a significant effect on financial statements of the Group.
- IFRIC Interpretation 14 “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”. The revision is effective for annual periods beginning on or after 1 January 2011. It is expected that the adoption of interpretation will not have a significant effect on financial statements of the Group.
- IFRIC Interpretation 9 “Reassessment of Embedded Derivatives”. The interpretation is effective for annual periods beginning on or after 1 January 2013. It is expected that the adoption of interpretation will not have a significant effect on financial statements of the Group.

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

Functional and presentation currency

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

Financial statements of foreign subsidiaries

Financial statements of subsidiaries operating in foreign countries are prepared according to the legislation of the country in which they operate and adjusted to the CMB Financial Reporting Standards to reflect the proper presentation and content. Foreign Subsidiaries’ assets and liabilities are translated into TRY from the foreign exchange rate at the balance sheet date and income and expenses are translated into TRY at the average foreign exchange rate. Exchange differences arising from the translation of the opening net assets of foreign undertakings and differences between the average and balance sheet date rates are included in the “translation reserves” under the shareholders’ equity.

Consolidation Principles

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 31 December 2009, include the accounts of Arçelik and its Subsidiaries.

As of 31 March 2010 there has been no change in ownership interests and effective interests of the Subsidiaries, which are included in the scope of consolidation, since 31 December 2009.

Going Concern

Group prepared condensed interim 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.

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

Comparatives and Restatement of Prior Periods’ Financial Statements

The condensed interim consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current period consolidated financial statements and the significant changes are explained. Comparative figures are classified in below, where necessary, to conform to changes in presentation of the current period consolidated financial statements. The income statement for the year ended 31 December 2009 has been restated with the aforementioned classification:

Arçelik Group recognises shipping and handling charges under sales discounts when these charges are collected from customers on behalf of the shipper in export sales invoiced on a Cost, Insurance and Freight (“CIF”) basis and do not result in an increase in the economic benefit received by the Group. In the case that such export sales on a CIF basis take place as an intra-group transaction among the Group companies, which are included within the scope of consolidation, shipping and handling charges arising from the relocation of inventories in the Group and which were recognised under sales discounts in previous periods, are recognised in the current period under sales and marketing expenses to provide a better reflection of the economic nature of the transaction. As a result of this reclassification, there has been an increase of TRY15,866 in the Group’s consolidated net sales income and sales and marketing expenses for the period ended 31 March 2009.

2.2 Restatement and Errors in the Accounting Policies and Estimates

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

2.3 Summary of Significant Accounting Policies

The condensed interim consolidated financial statements of the Group for the period ended 31 March 2010 have been prepared in accordance with IAS 34 “Interim Financial Reporting”. The accounting policies used in the preparation of these condensed interim consolidated financial statements are consistent with those used in the preparation of annual consolidated financial statements for the year ended 31 December 2009. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2009.

2.4 Critical Accounting Estimates and Judgements

The preparation of condensed interim consolidated financial statements requires estimates and assumptions to be made regarding the amounts for the assets and liabilities at the balance sheet date, and explanations for the contingent assets and liabilities as well as the amounts of income and expenses realised in the reporting period. The Group makes estimates and assumptions concerning the future. The accounting estimates and assumptions, by definition, may not be equal the related actual results.

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

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

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

NOTE 3 - BUSINESS COMBINATIONS

There is no acquisition of subsidiaries and business occurred for the three-month period ended 31 March 2010.

Business combinations in 2009

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

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

As of 30 June 2009, the minority interest transferred amounting to TRY34,341 comprises paid-in capital of TRY81,119, share premium of TRY95, restricted reserves of TRY8,693, revaluation fund of TRY9,098, adjustment to share capital of TRY55,340, translation differences of TRY1,757, previous years losses of TRY115,362 and current year loss of TRY6,399. TRY15,794 of the aforementioned minority interest has been transferred to the paid-in capital and the remaining amount of TRY18,547 has been classified as “Contribution to shareholders’ equity related to the merger” under equity.

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NOTE 4 - SEGMENT REPORTING

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

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

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

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

a) Operational segments which have been prepared in accordance with the reportable segments as of 31 March 2010 are as follows:

	White goods	Consumer electronics	Other	Total
Total segment revenue	966,883	253,187	266,853	1,486,923
Gross profit	373,873	63,573	46,032	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 (net)	-	-	355	355

b) Operational segments which have been prepared in accordance with the reportable segments as of 31 March 2009 are as follows:

	White goods	Consumer electronics	Other	Total
Total segment revenue	763,392	286,279	284,175	1,333,846
Gross profit	256,178	52,170	42,809	351,157
Depreciation and amortisation	32,081	11,324	1,876	45,281
Capital expenditures	24,672	6,366	346	31,384
Income from associates (net)	-	-	1,117	1,117

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NOTE 4 - SEGMENT REPORTING (Continued)

c) Sales revenue that is grouped geographically for the periods ended 31 March is shown below:

31 March 2010	Turkey	Europe	Other	Total
Total segment revenue	730,157	552,400	204,366	1,486,923
Income from associates (net)	355	-	-	355
31 March 2009	Turkey	Europe	Other	Total
Total segment revenue	581,332	546,816	205,698	1,333,846
Income from associates (net)	1,117	-	-	1,117

NOTE 5 - CASH AND CASH EQUIVALENTS

	31 March 2010	31 December 2009
Cash in hand	267	268
Cash at banks		
- Demand deposits	42,859	44,806
- Time deposits	635,981	821,238
Cheques and notes	29,662	37,646
Other	585	776
	709,354	904,734

The maturities of cash and cash equivalents are as follows:

	31 March 2010	31 December 2009
Up to 30 days	601,284	692,983
30-90 days	108,070	211,751
	709,354	904,734

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

TRY	9.39	9.70
USD	0.56	0.54
EUR	1.05	0.28
RON	3.40	7.45
GBP	0.22	0.19

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NOTE 6 - FINANCIAL INVESTMENTS

Non-current financial investments

	31 March 2010		31 December 2009	
Available-for-sale investments	%	TRY	%	TRY
Koç Finansal Hizmetler A.Ş.	3.98	394,303	3.98	394,303
Other		1,511		1,511
		395,814		395,814

	2010	2009
As of 1 January	395,814	540,182
Disposal of available for sale investment - fair value reserve	-	(116,302)
Disposal of available for sale investment - fair value reserve deferred tax effect	-	5,816
Disposal of available for sale investment – carrying value	-	(139,512)
As of 31 March	395,814	290,184

NOTE 7 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	31 March 2010	31 December 2009
Short-term bank borrowings	351,329	332,398
Short-term portion of long-term bank borrowings	1,235,540	1,590,798
Other	479	531
	1,587,348	1,923,727

Short-term bank borrowings:

TRY loans	3,000	9,612
Foreign currency loans	348,329	322,786
	351,329	332,398

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

TRY loans	6.95	-
Foreign currency loans	1.91	3.16

b) Long-term financial liabilities

	31 March 2010	31 December 2009
Long-term bank borrowings	193,519	187,946
Other	267	368
	193,786	188,314

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NOTE 7 - FINANCIAL LIABILITIES (Continued)

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

Currency	Effective interest rate (%)	Original currency	TRY
TRY	9.07	916,431,741	916,432
EUR	2.16	225,781,992	463,372
RUB	6.71	952,873,945	49,255
			1,429,059
Less: Current maturities			(1,235,540)
			193,519

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

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

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

	31 March 2010	31 December 2009
2011	159,314	151,941
2012	34,205	36,005
	193,519	187,946

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

	31 March 2010	31 December 2009
Up to 6 months	1,678,135	2,092,105
6 - 12 months	102,253	19,037
	1,780,388	2,111,142

NOTE 8 – DERIVATIVE FINANCIAL INSTRUMENTS

	31 March 2010			31 December 2009		
	Contract Amount	Fair Value Assets	Fair Value (Liabilities)	Contract Amount	Fair Value Assets	Fair Value (Liabilities)
Foreign currency forward contracts	199,124	1,603	(600)	433,446	4,204	(643)
Foreign currency swap contracts	136,083	1,321	(304)	100,265	240	(55)
		2,924	(904)		4,444	(698)

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NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	31 March 2010	31 December 2009
Short-term trade receivables:		
Trade receivables	1,309,728	1,276,876
Notes receivables	779,500	962,125
Cheques receivables	89,369	130,490
Due from related parties (Note 24)	33,892	26,217
	2,212,489	2,395,708
Less: Provision for doubtful receivables	(107,183)	(107,312)
Less: Unearned credit finance income	(63,903)	(55,385)
Short-term trade receivables (net)	2,041,403	2,233,011

Movements in the provision for doubtful receivables are as follows:

	2010	2009
As of 1 January	107,312	94,625
Current period additions	3,013	2,794
Collection and reversals of doubtful receivables	(451)	(819)
Translation differences	(2,691)	6,364
As of 31 March	107,183	102,964

	31 March 2010	31 December 2009
Long term trade receivables		
Trade receivables	13,760	4,254
	13,760	4,254

	31 March 2010	31 December 2009
Short-term trade payables		
Trade payables	643,562	655,439
Due to related parties (Note 24)	98,422	111,429
Unearned credit finance charges	(3,428)	(4,466)
	738,556	762,402

	31 March 2010	31 December 2009
Long-term trade payables		
Due to related parties (Note 24)	66,759	67,380
	66,759	67,380

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NOTE 10 - INVENTORIES

	31 March 2010	31 December 2009
Raw materials and supplies	496,149	520,057
Work in progress	37,476	33,859
Finished goods	348,370	327,956
Trade goods	149,202	123,253
	1,031,197	1,005,125
Less: Provision for impairment on inventories	(83,845)	(98,339)
	947,352	906,786

Details of the provision for impairment on inventories in terms of inventory type are as follows:

	31 March 2010	31 December 2009
Raw materials and supplies	66,833	67,894
Finished goods	10,746	14,532
Trade goods	6,266	15,913
	83,845	98,339

Movement of provision for impairment on inventories is as follows:

	2010	2009
As of 1 January	98,339	48,106
Current period additions	1,700	3,087
Realised due to sales of inventory	(14,824)	(5,188)
Translation differences	(1,370)	904
As of 31 March	83,845	46,909

NOTE 11 - ASSOCIATES

	31 March 2010		31 December 2009	
	%	TRY	%	TRY
Koç Tüketici Finansmanı A.Ş.	47.0	57,146	47.0	59,592
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	45.0	56,183	45.0	57,926
Ram Dış Ticaret A.Ş.	33.5	7,123	33.5	7,583
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	32.0	4,600	32.0	4,068
		125,052		129,169

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NOTE 11 – ASSOCIATES (Continued)

	2010	2009
As of 1 January	129,169	123,602
Income from associates (net)	355	1,117
Cash dividends received from associates	(4,472)	-
As of 31 March	125,052	124,719

Income / (loss) from associates

	31 March 2010	31 March 2009
Koç Tüketici Finansmanı A.Ş.	1,313	(1,312)
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	(1,743)	872
Ram Dış Ticaret A.Ş.	253	774
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	532	783
	355	1,117

Summary financial data of associates are as follows:

	31 March 2010	31 December 2009
Total assets	1,483,763	1,385,635
Total liabilities	1,201,685	1,094,769
	31 March 2010	31 March 2009
Total sales	282,541	266,275
Net income for the period	1,481	3,592

NOTE 12 – INVESTMENT PROPERTY

	2010	2009
Balance at 1 January:		
Cost	12,711	12,123
Accumulated depreciation	(6,367)	(3,335)
Net carrying value	6,344	8,788
Net carrying value at the beginning of the period	6,344	8,788
Disposals	(412)	-
Translation differences	(319)	350
Depreciation for the period	(32)	(1)
Net carrying value at the end of the period	5,581	9,137
Balance at 31 March		
Cost	11,458	12,727
Accumulated depreciation	(5,877)	(3,590)
Net carrying value	5,581	9,137

The carrying value of investment property represents their fair value as of balance sheet date.

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NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

	2010	2009
Balance at 1 January:		
Cost	3,332,557	3,304,201
Accumulated depreciation	(2,088,448)	(2,031,868)
Net carrying value	1,244,109	1,272,333
Net carrying value at the beginning of the period	1,244,109	1,272,333
Additions	18,042	16,619
Disposals	(2,242)	(2,063)
Translation differences	4,467	(5,733)
Depreciation for the period	(39,220)	(38,332)
Net carrying value at the end of the period	1,225,156	1,242,824
Balance at 31 March		
Cost	3,338,269	3,305,375
Accumulated depreciation	(2,113,113)	(2,062,551)
Net carrying value	1,225,156	1,242,824

There is no mortgage on property, plant and equipment as of 31 March 2010 (31 March 2009: None).

NOTE 14 – INTANGIBLE ASSETS

	2010	2009
Balance at 1 January:		
Cost	539,682	473,977
Accumulated amortisation	(99,689)	(71,762)
Net carrying value	439,993	402,215
Net carrying value at the beginning of the period	439,993	402,215
Additions	17,618	14,765
Disposals	-	(200)
Translation differences	(10,311)	9,134
Amortisation for the period	(6,641)	(6,948)
Net carrying value at the end of the period	440,659	418,966
Balance at 31 March		
Cost	546,404	497,676
Accumulated amortisation	(105,745)	(78,710)
Net carrying value	440,659	418,966

Net carrying value of the development costs as of 31 March 2010 is TRY142,110 (31 March 2009: TRY102,971), and capitalized development costs in the period is TRY15,736 (31 March 2009: TRY14,314).

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NOTE 15 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Commitments and contingent liabilities are as follows:

	31 March 2010	31 December 2009
Operational lease commitments	8,018	10,192

The company has export commitment of USD 1,073,601,071 related to export incentives as of 31 March 2010 (31 December 2009: USD 898,827,150).

Derivative financial instruments

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

31 March 2010

	Foreign exchange purchase commitments	Foreign exchange sales commitments
EUR	87,828	-
TRY	80,881	6,311
GBP	-	145,453
PLN	-	9,565
RUB	-	5,169
	168,709	166,498

31 December 2009

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

Contingent assets and liabilities are as follows:

	31 March 2010	31 December 2009
Collateral obtained	1,804,601	1,812,962

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

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

Collaterals, Pledges, Mortgages (“CPM”) given by the Company	31 March 2010	31 December 2009
A. CPM’s given on behalf of own legal personalities	96,220	89,724
B. CPM’s given on behalf of fully consolidated companies	11,616	216
C. CPM’s given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPM’s		
i) Total amount of CPM’s given on behalf of the majority shareholder	-	-
ii) Total amount of CPM’s given to on behalf of other Group companies which are not in scope of B and C.	-	-
iii) Total amount of CPM’s given on behalf of third parties which are not in scope of C.	-	-
	107,836	89,940

NOTE 16 - PROVISIONS

	31 March 2010	31 December 2009
Short-term provisions:		
Warranty provision	110,072	109,543
Assembly provision	41,336	36,226
Provision for cost and expenses	14,311	10,239
Provision for transportation costs	8,043	6,298
Other	31,569	42,353
	205,331	204,659
	31 March 2010	31 December 2009
Long-term provisions:		
Warranty provision	55,566	58,603
Other	1,252	2,158
	56,818	60,761

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NOTE 17 - OTHER ASSETS AND LIABILITIES

	31 March 2010	31 December 2009
Other current assets:		
Prepaid expenses	47,600	10,541
Value added tax and private consumption tax receivables	20,840	15,823
Taxes and funds deductible	11,558	36,579
Prepaid taxes and funds	6,704	26,842
Advances given for inventories	6,273	1,427
Assets held for sale	3,627	3,628
Other order advances given	3,391	2,765
Other	12,689	11,375
	112,682	108,980

	31 March 2010	31 December 2009
Other current liabilities:		
Accruals for customer premiums	63,579	62,873
Advances received	34,825	61,076
Accruals for sales and marketing expenses	33,316	18,121
Accruals for license fee expenses	15,322	15,228
Accruals for advertising expenses	8,324	6,383
Accruals for bonuses and premiums	5,276	1,258
Liabilities attributable to the acquisition	1,728	1,817
Other	2,075	2,532
	164,445	169,288

	31 March 2010	31 December 2009
Other non-current liabilities:		
Liabilities attributable to the acquisition	1,650	3,557
Other	2,979	2,944
	4,629	6,501

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NOTE 18 - EQUITY

Paid-in capital

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

	31 March 2010	31 December 2009
Limit on registered share capital	1,500,000	1,500,000
Issued share capital in nominal value	675,728	675,728

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

The shareholding structures of the Company are as follows:

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

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

Additional contribution to shareholders’ equity related to the merger

Additional contribution to shareholders’ equity is related to the merger with Grundig Elektronik dated 30 June 2009 (Note 3).

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NOTE 18 – EQUITY (Continued)

Revaluation Fund

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

	31 March 2010	31 December 2009
Financial assets fair value reserve (net)	237,989	237,989
Non-current assets fair value reserve (net) (*)	36,710	45,569
Total revaluation fund (net)	274,699	283,558

(*) The movements in the revaluation fund are presented in the condensed interim consolidated statements of changes in shareholders’ equity.

Restricted Reserves

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

The details of these restricted reserves are as follows:

	31 March 2010	31 December 2009
Legal reserves	168,321	161,700
Special reserves	124	124
	168,445	161,824

NOTE 19 - OTHER INCOME AND EXPENSES

	31 March 2010	31 March 2009
Other income:		
Income from claims and grants	4,103	4,031
Reversals of provisions	615	2,475
Reversals of provisions for doubtful receivables	451	819
Income from sales of property, plant and equipment	189	345
Income from sale of financial asset	-	116,302
Other	6,775	3,147
	12,133	127,119

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NOTE 19 - OTHER INCOME AND EXPENSES (Continued)

	31 March 2010	31 March 2009
Other expenses:		
Provision expense for doubtful receivables	(3,013)	(2,794)
Provision expense for impairment on inventories	(1,700)	(3,087)
Loss from sales of property, plant and equipment	(1,479)	(756)
Other	(2,199)	(1,556)
	(8,391)	(8,193)

NOTE 20 – FINANCIAL INCOME

	31 March 2010	31 March 2009
Foreign exchange gains	45,594	106,583
Interest income	11,559	5,759
Credit finance income	9,791	36,758
Foreign currency forward income	7,359	10,884
Other	38	809
	74,341	160,793

NOTE 21 – FINANCIAL EXPENSES

	31 March 2010	31 March 2009
Foreign exchange losses	(40,022)	(119,623)
Interest expenses	(30,753)	(119,205)
Foreign currency forward expenses	(3,877)	(19,794)
Cash discounts expenses	(3,031)	(6,849)
Credit finance charges	(2,663)	(5,833)
Other	(1,093)	(352)
	(81,439)	(271,656)

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NOTE 22 - TAX ASSETS AND LIABILITIES

	31 March 2010	31 December 2009
Corporation and income taxes	28,019	45,961
Less: prepaid tax	(21,112)	(31,605)
Taxes payable (net)	6,907	14,356
Deferred tax assets	43,971	41,509
Deferred tax liabilities	(94,676)	(95,201)
Deferred tax liabilities (net)	(50,705)	(53,692)

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

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

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

	31 March 2010	31 March 2009
Taxes on income		
- Current period tax expense	(28,967)	(3,338)
- Deferred tax income	1,000	9,735
Taxes on income (net)	(27,967)	6,397

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

In accordance with tax laws and regulations of each country as of 31 March 2010, tax rates used for the calculation of taxes on income are as follows:

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

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NOTE 22 - TAX ASSETS AND LIABILITIES (Continued)

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

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	31 March 2010	31 December 2009	31 March 2010	31 December 2009
Property, plant and equipment and intangible assets	718,054	705,615	(150,421)	(147,445)
Available-for-sale investments	250,516	250,516	(12,526)	(12,526)
Derivative financial instruments	2,020	3,755	(404)	(751)
Unused tax credits	(165,707)	(172,610)	33,528	34,969
Provision for warranty, assembly and transportation expenses	(154,236)	(145,926)	30,523	28,867
Provision for employment termination benefits	(84,110)	(83,092)	16,822	16,618
Provision for impairment on inventories	(67,272)	(68,099)	13,469	13,587
Provision for doubtful receivables	(4,077)	(976)	815	195
Accrual for license expenses	(15,322)	(15,228)	3,064	3,046
Unearned credit finance income/expense net	(26,189)	(15,207)	5,082	2,281
Other	(37,721)	(29,774)	9,343	7,467
Deferred tax liabilities (net)			(50,705)	(53,692)
			2010	2009
As of 1 January			(53,692)	(25,593)
Charged to the income statement			1,000	9,735
Charged to the shareholders' equity			94	5,916
Translation differences			1,893	(1,915)
As of 31 March			(50,705)	(11,857)

As a result of group management's evaluation, deferred tax asset amounting to TRY33,528 (31 December 2009: TRY34,969) out of tax discounts amounting to TRY165,707 (31 December 2009: TRY172,610) is presumed and accounted in accordance with tax laws.

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NOTE 23 - EARNINGS PER SHARE

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

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

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

	31 March 2010	31 March 2009
Net income attributable to the equity holders of the parent	109,645	53,438
Weighted average number of ordinary shares with nominal value (Kr each)	67,572,820,500	42,575,320,500
Earning per share (Kr)	0.162	0.126

NOTE 24 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

(i) Related party balances

(a) Due from related parties

	31 March 2010	31 December 2009
Group companies (*)	27,479	11,699
Associates	6,413	14,518
	33,892	26,217

(b) Due to related parties

Short-term:

Group companies (*)	30,721	59,707
Associates	67,701	51,722
	98,422	111,429

Long-term:

Group companies (*)	66,759	67,380
	66,759	67,380

(c) Deposits

Group companies (*)	113,455	54,962
	113,455	54,962

(d) Bank borrowings

Group companies (*)	169,272	65,558
	169,272	65,558

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NOTE 24 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

e) Derivative financial instruments

31 March 2010	Contract Amount	Fair value assets/(liabilities)	
Group companies (*)	62,444	754	-
	62,444	754	-

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

(ii) Transactions with related parties

(f) Sales of goods and services

	31 March 2010	31 March 2009
Group companies (*)	29,871	21,316
Associates	2,875	4,134
	32,746	25,460

(f) Purchases of goods and services

	31 March 2010	31 March 2009
Group companies (*)	104,206	56,334
Associates	42,247	39,090
Shareholders	2,313	1,761
	148,766	97,185

(f) Key management compensation

Total compensation provided to key management personnel by the Company during the period ended 31 March 2010 amounts to TRY1,098 (31 March 2009: TRY1,672).

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NOTE 24 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

(f) Other transactions:

	31 March 2010	31 March 2009
Dividends distributed **	100,000	9,999
Interest expense	1,507	7,973
Interest income	1,870	1,258

(*) Group companies include Koç Group companies.

(**) Dividend to be distributed as bonus shares in the three months period ended 31 March 2009 have been added to paid-in capital in the following period.

NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Credit risk

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

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

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

In credit risk control, the credit quality of each customer is assessed; taking into account its financial position, past experience and other factors, individual risk limits are set in accordance and the utilisation of credit limits is regularly monitored.

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.

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**NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)**

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

31 March 2010	Trade Receivables		Deposits
	Related parties	Other party	Related parties
Maximum exposed credit risk as of reporting date (1)	33,892	2,021,271	678,840
Secured portion of the maximum credit risk by guarantees, etc.	-	(1,406,840)	-
A. Net book value of financial assets either are not due or not impaired	33,892	1,806,089	678,840
- Secured portion by guarantees, etc.	-	(1,245,702)	-
B. Financial assets with renegotiated conditions	-	48,109	-
- Secured portion by guarantees, etc.	-	(48,109)	-
C. Net book value of the expired but not impaired financial assets	-	132,472	-
- Secured portion by guarantees, etc.	-	(81,915)	-
D. Net book value of the impaired assets	-	34,601	-
- Overdue (Gross book value)	-	141,784	-
- Impairment	-	(107,183)	-
- Secured portion of the net value by guarantees, etc.	-	(31,114)	-
31 December 2009	Trade Receivables		Deposits
	Related parties	Other party	Related parties
Maximum exposed credit risk as of reporting date (1)	26,217	2,211,048	877,100
Secured portion of the maximum credit risk by guarantees, etc.	-	(1,492,859)	-
A. Net book value of financial assets either are not due or not impaired	26,217	1,952,229	877,100
- Secured portion by guarantees, etc.	-	(1,286,628)	-
B. Financial assets with renegotiated conditions	-	99,564	-
- Secured portion by guarantees, etc.	-	(99,564)	-
C. Net book value of the expired but not impaired financial assets	-	121,477	-
- Secured portion by guarantees, etc.	-	(73,139)	-
D. Net book value of the impaired assets	-	37,778	-
- Overdue (Gross book value)	-	143,630	-
- Not overdue	-	1,460	-
- Impairment	-	(107,312)	-
- Secured portion of the net value by guarantees, etc.	-	(33,528)	-

(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.

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**NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)**

a) Credit quality of financial assets which are neither due nor impaired

	31 March 2010	31 December 2009
Group 1	10,906	9,284
Group 2	1,713,634	1,905,978
Group 3	163,550	162,748
	1,888,090	2,078,010

Group 1 - New customers (Less than three months).

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

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

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

	31 March 2010	31 December 2009
0-1 month	48,615	42,267
1-3 months	19,702	23,133
3-12 months	44,514	43,949
1-5 years	19,641	12,128
	132,472	121,477

Foreign exchange risk

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

For this reason, the proportion of the positions of these currencies among each other or against 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 EUR, USD, GBP, RON and RUB.

Foreign currency position

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

	31 March 2010	31 December 2009
Assets	1,003,651	1,098,051
Liabilities	(1,018,338)	(986,664)
Net balance sheet position	(14,687)	111,387
Net position of off-balance sheet derivative financial instruments	(72,359)	(107,666)
Net foreign currency position	(87,046)	3,721

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**NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)**

Currencies other than the functional currencies in which, the Company and its subsidiaries conduct their operations, have been accepted as foreign currencies. Assets and liabilities denominated in foreign currency held by the Company at 31 March 2010 are as follows:

	EUR	USD	GBP	RUB	PLN	Total TRY Equivalent
Current assets						
Trade receivables	231,979	121,858	81,156	397,936	23,817	880,765
Monetary financial assets	28,936	3,432	32	5,576	3,605	66,884
Other	11,343	21,486	14	-	-	56,002
Total assets	272,258	146,776	81,202	403,512	27,422	1,003,651
Current liabilities						
Trade payables	91,852	85,284	251	-	-	318,843
Financial liabilities	205,638	-	-	-	-	422,031
Other monetary financial liabilities	2,818	35,734	1,988	-	-	64,710
Non-current liabilities						
Trade payables	-	43,877	-	-	-	66,759
Financial liabilities	70,333	-	-	-	-	144,344
Other monetary financial liabilities	-	-	720	-	-	1,651
Total liabilities	370,641	164,895	2,959	-	-	1,018,338
Net balance sheet position	(98,383)	(18,119)	78,243	403,512	27,422	(14,687)
Off-balance sheet derivative financial assets	42,795	-	-	-	-	87,828
Off-balance sheet derivative financial liabilities	-	-	(63,450)	(100,000)	(18,000)	(160,187)
Net position of off-balance sheet items	42,795	-	(63,450)	(100,000)	(18,000)	(72,359)
Net foreign currency / asset/ (liability) position	(55,588)	(18,119)	14,793	303,512	9,422	(87,046)
Net foreign currency position against the functional currencies is as follows:						
Against TRY	(36,804)	(9,533)	12,297	303,512	3,580	(44,256)
Against EUR	-	477	-	-	5,842	3,830
Against RUB	2,122	(6,545)	-	-	-	(5,603)
Against PLN	84	10	-	-	-	188
Against GBP	3,165	-	-	-	-	6,496
Against other currencies	(24,155)	(2,528)	2,496	-	-	(47,701)
	(55,588)	(18,119)	14,793	303,512	9,422	(87,046)

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Currencies other than the functional currencies in which, the Company and its subsidiaries conduct their operations, have been accepted as foreign currencies. Assets and liabilities denominated in foreign currency held by the Company at 31 December 2009 are as follows:

	EUR	USD	GBP	RUB	PLN	Total TRY Equivalent
Current assets						
Trade receivables	262,938	102,843	94,593	326,590	29,078	980,257
Monetary financial assets	10,904	3,188	3,167	-	11,070	41,678
Other	15,257	28,616	29	-	-	76,116
Total assets	289,099	134,647	97,789	326,590	40,148	1,098,051
Current liabilities						
Trade payables	76,629	73,911	876	2,419	-	279,043
Financial liabilities	155,081	26,522	-	-	-	374,956
Other monetary financial liabilities	7,296	35,373	1,993	-	-	73,784
Non-current liabilities						
Trade payables	-	44,750	-	-	-	67,380
Financial liabilities	87,000	-	-	-	-	187,946
Other monetary financial liabilities	-	-	1,488	-	-	3,555
Total liabilities	326,006	180,556	4,357	2,419	-	986,664
Net balance sheet position	(36,907)	(45,909)	93,432	324,171	40,148	111,387
Off-balance sheet derivative financial assets	27,464	26,104	2,000	-	-	103,414
Off-balance sheet derivative financial liabilities	(15,000)	-	(68,000)	(100,000)	(21,600)	(211,080)
Net position of off-balance sheet items	12,464	26,104	(66,000)	(100,000)	(21,600)	(107,666)
Net foreign currency / asset/ (liability) position	(24,443)	(19,805)	27,432	224,171	18,548	3,721
Net foreign currency position against the functional currencies is as follows:						
Against TRY	(8,898)	(11,276)	23,177	226,590	9,640	35,468
Against EUR	-	(1,402)	-	(2,419)	8,908	2,400
Against RUB	(45)	(6,004)	-	-	-	(9,137)
Against PLN	709	(272)	-	-	-	1,122
Against GBP	2,860	-	-	-	-	6,177
Against other currencies	(19,069)	(851)	4,255	-	-	(32,309)
	(24,443)	(19,805)	27,432	224,171	18,548	3,721

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CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN
TURKISH**

ARÇELİK ANONİM ŞİRKETİ

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

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

**NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)**

Foreign currency sensitivity analysis for the period ended 31 March 2010 and for the year ended 31 December 2009 is as follows:

	Gain/Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
31 March 2010				
+/-10% fluctuation of USD rate				
USD net asset/liability	(2,757)	2,757	(2,757)	2,757
Secured portion from USD risk (*)	-	-	-	-
USD net effect	(2,757)	2,757	(2,757)	2,757
+/-10% fluctuation of EUR rate				
EUR net asset/liability	(20,191)	20,191	(11,545)	11,545
Secured portion from EUR risk (*)	8,783	(8,783)	8,783	(8,783)
EUR net effect	(11,408)	11,408	(2,762)	2,762
+/-10% fluctuation of GBP rate				
GBP net asset/liability	17,936	(17,936)	26,414	(26,414)
Secured portion from GBP risk (*)	(14,545)	14,545	(14,545)	14,545
GBP net effect	3,391	(3,391)	11,869	(11,869)
+/-10% fluctuation of RUB rate				
RUB net asset/liability	2,086	(2,086)	15,504	(15,504)
Secured portion from RUB risk (*)	(517)	517	(517)	517
RUB net effect	1,569	(1,569)	14,987	(14,987)
+/-10% fluctuation of ROL rate				
ROL net asset/liability	-	-	18,770	(18,770)
Secured portion from ROL risk (*)	-	-	-	-
ROL net effect	-	-	18,770	(18,770)
	(9,205)	9,205	40,108	(40,108)
31 December 2009				
+/-10% fluctuation of USD rate				
USD net asset/liability	(6,913)	6,913	(6,913)	6,913
Secured portion from USD risk (*)	3,930	(3,930)	3,930	(3,930)
USD net effect	(2,983)	2,983	(2,983)	2,983
+/-10% fluctuation of EUR rate				
EUR net asset/liability	(7,973)	7,973	(8,348)	8,348
Secured portion from EUR risk (*)	2,693	(2,693)	2,693	(2,693)
EUR net effect	(5,280)	5,280	(5,655)	5,655
+/-10% fluctuation of GBP rate				
GBP net asset/liability	22,323	(22,323)	29,802	(29,802)
Secured portion from GBP risk (*)	(15,769)	15,769	(15,769)	15,769
GBP net effect	6,554	(6,554)	14,033	(14,033)
+/-10% fluctuation of RUB rate				
RUB net asset/liability	1,614	(1,614)	15,241	(15,241)
Secured portion from RUB risk (*)	(498)	498	(498)	498
RUB net effect	1,116	(1,116)	14,743	(14,743)
+/-10% fluctuation of ROL rate				
ROL net asset/liability	-	-	18,088	(18,088)
Secured portion from ROL risk (*)	-	-	-	-
ROL net effect	-	-	18,088	(18,088)
	(593)	593	38,226	(38,226)

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

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

ARÇELİK ANONİM ŞİRKETİ

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

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

NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The import and exports amounts for the periods ended 31 March are as follows:

	31 March 2010		31 March 2009	
	Original amount	TRY equivalent	Original amount	TRY equivalent
EUR	181,018,675	375,322	147,120,330	317,956
USD	70,292,130	106,542	99,082,434	165,394
GBP	51,064,051	119,747	38,626,207	92,078
Other		19,788		1,855
Total exports		621,399		577,283
EUR	79,194,485	168,509	65,774,844	142,809
USD	157,821,775	249,544	106,928,089	177,443
GBP	128,078	317	109,020	268
Other		766	-	370
Total imports		419,137		320,890

NOTE 26 - SUPPLEMENTARY CASH FLOW INFORMATION

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

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

	31 March 2010	31 March 2009
Changes in reserves and provisions:		
Assembly and transportation provision	6,855	2,056
Warranty provision	(2,508)	(7,178)
Provision for employment termination benefits	1,539	2,763
Accrual for bonuses and premiums	4,018	3,574
Accrual for customer premiums	706	33,259
Accrual for sales and marketing expenses	15,195	903
Provision for impairment on inventories	1,700	3,087
Provision for doubtful receivables	3,013	2,794
	30,518	41,258
Changes in operating assets and liabilities		
Trade receivables	179,089	363,984
Inventories	(42,266)	143,332
Other assets and liabilities	(54,836)	(41,551)
Trade payables	(24,467)	(135,828)
	57,520	329,937

NOTE 27 – SUBSEQUENT EVENTS

The factory land, building and annexes in Topkapi district in Istanbul of the Group has been decided by the Board of Directors to be sold to Koç University of the Koç Group amounting USD35,000,000.