

(Convenience translation of condensed interim consolidated financial statements originally issued in Turkish)

Arçelik Anonim Şirketi

January 1-September 30, 2013 condensed interim consolidated financial statements

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ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF SEPTEMBER 30,2013 AND DECEMBER 31,2012

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

	Notes	Unaudited	Audited
		September 30, 2013	Restated December 31, 2012
ASSETS			
Current assets:			
Cash and cash equivalents	4	1,498,177	1,740,789
Trade receivables			
-Due from related parties	28	30,533	22,586
-Trade receivables, third parties	8	4,125,270	3,238,891
Derivative financial instruments	7	3,967	2,176
Inventories	9	2,027,307	1,599,658
Prepaid expenses	17	59,146	28,235
Current income tax assets	18	43,107	26,318
Other current assets	20	68,416	69,454
Subtotal		7,855,923	6,728,107
Assets held for sale		8,711	8,571
Total current assets		7,864,634	6,736,678
Non-current assets:			
Financial investments	5	652,681	638,741
Trade receivables			
-Trade receivables, third parties	8	27,327	10,969
Associates	11	191,081	182,614
Investment properties	12	5,937	5,099
Property, plant and equipment	13	1,741,198	1,603,403
Intangible assets			
-Goodwill		170,152	177,080
-Other intangible assets	14	844,554	787,601
Deferred tax assets	26	85,837	85,968
Total non-current assets		3,718,767	3,491,475
Total assets		11,583,401	10,228,153

These condensed interim consolidated financial statements as at and for the period ended September 30, 2013, have been approved for issue by the Board of Directors on November 04, 2013 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 STATEMENTS OF FINANCIAL POSITION AS OF SEPTEMBER 30,2013 AND DECEMBER 31,2012

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

		Unaudited	Audited
		September 30, 2013	December 31, 2012
	Notes		Restated
LIABILITIES			
Current liabilities:			
Financial liabilities	6	919,167	785,171
Short term portion of long term financial liabilities	6	957,323	1,359,235
Trade payables			
-Due to related parties	28	248,412	173,032
-Trade payables, third parties	8	1,287,888	1,043,098
Derivative financial instruments	7	2,441	3,680
Employee benefit obligations	19	106,857	88,081
Other payables			
-Due to related parties	28	8,337	7,030
-Other payables, third parties	10	117,795	83,829
Current income tax liabilities	26	42,957	24,008
Provisions			
-Other provisions	16	304,471	233,377
Other current liabilities	20	233,017	149,221
Total current liabilities		4,228,665	3,949,762
Non-current liabilities			
Financial liabilities	6	2,770,570	1,859,103
Other payables			
-Due to related parties	28	61,651	59,540
Derivate financial instruments	7	17,343	-
Provisions			
-Provision for employee benefits		121,409	112,254
-Other provisions	16	88,939	82,148
Deferred tax liabilities	26	243,520	236,406
Other non-current liabilities		9,056	1,705
Total non-current liabilities		3,312,488	2,351,156
Total liabilities		7,541,153	6,300,918
EQUITY			
Paid-in capital	21	675,728	675,728
Adjustment to share capital	21	468,811	468,811
Share premium		889	889
Other comprehensive income/expense not to be reclassified to profit or loss			
-Actuarial gain/loss arising from defined benefit plans		(1,310)	247
Other comprehensive income/loss to be reclassified to profit or loss			
-Financial assets revaluation fund		482,036	468,793
-Non-current assets revaluation fund		65,518	59,023
-Foreign currency hedge of net investments in foreign operations		(161,307)	(56,974)
-Cash flow hedges		(5)	(557)
-Currency translation differences		224,165	86,790
Contribution to shareholders' equity related to merger	21	14,507	14,507
Restricted reserves	21	248,809	216,687
Retained earnings		1,521,025	1,387,994
Net income for the period		441,797	519,714
Atributable to:			
Equity holders of the parent		3,980,663	3,841,652
Non-controlling interest		61,585	85,583
Total equity		4,042,248	3,927,235
Total liabilities and equity		11,583,401	10,228,153

Commitments, contingent assets and liabilities

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

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE PERIODS ENDED SEPTEMBER 30, 2013 AND 2012

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

	Notes	Unaudited			
		January 1- September 30, 2013	Restated January 1- September 30, 2012	July 1- September 30, 2013	July 1- September 30, 2012
Net sales	3	7,998,107	7,912,481	2,902,476	2,727,693
Cost of sales		(5,561,186)	(5,618,965)	(2,004,291)	(1,914,663)
Gross profit		2,436,921	2,293,516	898,185	813,030
General administrative expenses		(296,974)	(260,916)	(107,531)	(79,054)
Marketing, selling and distribution expenses		(1,463,931)	(1,361,563)	(531,544)	(498,076)
Research and development expenses		(62,598)	(61,694)	(22,457)	(15,745)
Other operating income	22	270,923	126,709	129,127	60,814
Other operating expenses	22	(113,865)	(162,297)	(26,905)	(33,387)
Operating profit		770,476	573,755	338,875	247,582
Income from investment activities	23	10,384	1,033	140	293
Expenses from investment activities	23	(1,344)	(825)	(696)	(379)
Income from associates	11	30,390	31,333	6,669	7,790
Operating income before financial income/(expense)		809,906	605,296	344,988	255,286
Financial income	24	312,644	204,659	111,063	27,865
Financial expenses	25	(577,742)	(286,100)	(249,833)	(99,665)
Profit before tax from continued operations		544,808	523,855	206,218	183,486
Tax income/(expense) of continued operations					
- Taxes on income	26	(81,747)	(74,040)	(40,979)	(26,779)
- Deferred tax income/(expense)	26	(5,548)	(1,542)	3,706	(9,802)
Net income / (expense) from continued operations		457,513	448,273	168,945	146,905
Attributable to:					
Non-controlling interest		15,716	22,062	7,892	9,673
Equity holders of the parent		441,797	426,211	161,053	137,232
Earnings per share (Kr)	27	0.654	0.631	0.238	0.203

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

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED SEPTEMBER 30,2013 AND 2012

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

	Unaudited			
	January 1- September 30, 2013	Restated January 1- September 30, 2012	July 1- September 30, 2013	July 1- September 30, 2012
Net income for the period	457,513	448,273	168,945	146,905
Other comprehensive income /(expense):				
Items not to be reclassified to profit or loss in subsequent periods				
Actuarial loss arising from defined benefit plans	(1,557)	(1,012)	-	-
Tax effect other comprehensive income/loss not to be reclassified to profit or loss	(1,946)	(1,265)	-	-
	389	253	-	-
Items to be reclassified to profit or loss	62,612	(61,526)	65,542	(1,001)
Foreign currency hedge of net investments in foreign operations	(130,416)	14,361	(77,158)	(11,276)
Share of other comprehensive income of associates	552	(1,429)	(272)	(461)
Fair value increase on financial assets	13,940	13,940	-	-
Currency translation differences	153,038	(85,144)	127,537	8,378
Tax effect of other comprehensive income/loss to be reclassified to profit or loss	25,498	(3,254)	15,435	2,358
Other comprehensive income / (loss) (net of tax)	61,055	(62,538)	65,542	(1,001)
Total comprehensive income	518,568	385,735	234,487	145,904
Attributable to:				
Non-controlling interest	24,557	19,577	13,681	11,863
Equity holders of the parent	494,011	366,158	220,806	134,041

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

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

ARÇELİK ANONİM ŞİRKETİ

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2013 AND 2012**

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

					Other comprehensive income / (expense) not to be reclassified to profit or loss	Other comprehensive income / (expense) to be reclassified to profit or loss			Retained earnings					
	Paid-in capital	Inflation adjustment to share capital	Share premium	Contribution to shareholders' equity due to merger	Actuarial gain/losses arising from defined benefit plans	Hedge funds	Revaluation funds	Currency translation differences	Restricted reserves	Accumulated profit	Net income for the period	Equity holders of the parent	Non- controlling interest	Total equity
Balance at December 31, 2012 - previously reported	675,728	468,811	889	14,507	-	(57,531)	527,816	86,790	216,687	1,383,191	524,764	3,841,652	85,583	3,927,235
Change in accounting policy - TMS 19 (Note 2)	-	-	-	-	247	-	-	-	-	4,803	(5,050)	-	-	-
Balance at January 1, 2013 - as restated	675,728	468,811	889	14,507	247	(57,531)	527,816	86,790	216,687	1,387,994	519,714	3,841,652	85,583	3,927,235
<i>Comprehensive income</i>														
Net income for the period	-	-	-	-	-	-	-	-	-	-	441,797	441,797	15,716	457,513
<i>Other comprehensive income:</i>														
Fair value increase in financial assets (net)	-	-	-	-	-	-	13,243	-	-	-	-	13,243	-	13,243
Foreign currency hedge of net investments in foreign operations (net)	-	-	-	-	-	(104,333)	-	-	-	-	-	(104,333)	-	(104,333)
Share of other comprehensive income of associates	-	-	-	-	-	552	-	-	-	-	-	552	-	552
Tax effect of amortisation calculated over intangible assets revaluation increases	-	-	-	-	-	-	112	-	-	-	-	112	-	112
Actuarial gain/loss arising from defined benefit plans	-	-	-	-	(1,557)	-	-	-	-	-	-	(1,557)	-	(1,557)
Currency translation differences	-	-	-	-	-	-	6,822	137,375	-	-	-	144,197	8,841	153,038
Total other comprehensive income	-	-	-	-	(1,557)	(103,781)	20,177	137,375	-	-	-	52,214	8,841	61,055
Total comprehensive income	-	-	-	-	(1,557)	(103,781)	20,177	137,375	-	-	441,797	494,011	24,557	518,568
Transfers	-	-	-	-	-	-	-	-	-	519,714	(519,714)	-	-	-
Amortisation effect of the revaluation of intangible assets (net)	-	-	-	-	-	-	(439)	-	-	439	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	32,122	(387,122)	-	(355,000)	(48,555)	(403,555)
As of September 30, 2013	675,728	468,811	889	14,507	(1,310)	(161,312)	547,554	224,165	248,809	1,521,025	441,797	3,980,663	61,585	4,042,248

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

ARÇELİK ANONİM ŞİRKETİ

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2013 AND 2012**

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

					Other comprehensive income / (expense) not to be reclassified to profit or loss	Other comprehensive income / (expense) to be reclassified to profit or loss			Retained earnings					
	Paid-in capital	Inflation adjustment to share capital	Share premium	Contribution to shareholders' equity due to merger	Actuarial gain/losses arising from defined benefit plans	Hedge funds	Revaluation funds	Currency translation differences	Restricted reserves	Accumulated profit	Net income for the period	Equity holders of the parent	Non- controlling interest	Total equity
Balance at December 31, 2011 - previously reported	675,728	468,811	889	14,507	-	(55,950)	397,455	145,922	190,066	1,201,658	506,506	3,545,592	106,049	3,651,641
Change in accounting policy - TMS 19 (Note 2)	-	-	-	-	(4,802)	-	-	-	-	-	4,802	-	-	-
Balance at January 1, 2012 - as restated	675,728	468,811	889	14,507	(4,802)	(55,950)	397,455	145,922	190,066	1,201,658	511,308	3,545,592	106,049	3,651,641
<i>Comprehensive income</i>														
Net income for the period	-	-	-	-	-	-	-	-	-	-	426,211	426,211	22,062	448,273
<i>Other comprehensive income:</i>														
Fair value increase in financial assets (net)	-	-	-	-	-	-	13,243	-	-	-	-	13,243	-	13,243
Foreign currency hedge of net investments in foreign operations (net)	-	-	-	-	-	11,489	-	-	-	-	-	11,489	-	11,489
Share of other comprehensive income of associates	-	-	-	-	-	(1,429)	-	-	-	-	-	(1,429)	-	(1,429)
Tax effect of amortisation calculated over intangible assets revaluation increases	-	-	-	-	-	-	315	-	-	-	-	315	-	315
Actuarial gain/loss arising from defined benefit plans	-	-	-	-	(1,012)	-	-	-	-	-	-	(1,012)	-	(1,012)
Currency translation differences	-	-	-	-	-	-	(12,228)	(70,431)	-	-	-	(82,659)	(2,485)	(85,144)
Total other comprehensive income	-	-	-	-	(1,012)	10,060	1,330	(70,431)	-	-	-	(60,053)	(2,485)	(62,538)
Total comprehensive income	-	-	-	-	(1,012)	10,060	1,330	(70,431)	-	-	426,211	366,158	19,577	385,735
Transfers	-	-	-	-	-	-	-	-	-	511,308	(511,308)	-	-	-
Amortisation effect of the revaluation of intangible assets (net)	-	-	-	-	-	-	(1,234)	-	-	1,234	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	26,621	(326,621)	-	(300,000)	(42,876)	(342,876)
As of September 30, 2012 - as restated	675,728	468,811	889	14,507	(5,814)	(45,890)	397,551	75,491	216,687	1,387,579	426,211	3,611,750	82,750	3,694,500

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

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR PERIODS ENDED SEPTEMBER 30, 2013 AND 2012

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

	Notes	Unaudited	
		January 1- September 30, 2013	Restated January 1- September 30, 2012
Operating activities:			
Income before tax		544,808	523,855
<i>Adjustments to reconcile net cash provided from operating activities to income before taxes</i>			
Depreciation and amortization		224,418	190,153
Changes in provisions	30	234,586	187,283
Interest expenses	25	145,535	145,009
Interest income	24	(29,416)	(17,382)
Income from associates (net)	11	(30,390)	(31,333)
Loss from derivative instruments (net)	24, 25	7,271	22,213
Incentive income	22	(24,349)	(30,501)
Dividend income from financial investments	23	(9,559)	-
Gain from sales of tangible and intangible assets (net)	23	519	(208)
Net cash flow from operating activities before changes in operating assets and liabilities		1,063,423	989,089
Changes in operating assets and liabilities (net)			
Trade payables and due to related parties		287,824	130,469
Other non-current liabilities		41,828	(531)
Other current assets and liabilities		(77,642)	(33,699)
Inventories		(441,531)	(225,413)
Trade receivables and due from related parties		(918,843)	(553,438)
Corporate and income taxes paid		(36,405)	(51,781)
Cash flows from operating activities		(81,346)	254,696
Investing activities:			
Acquisition of tangible and intangible assets		(348,930)	(295,453)
Cash provided from sales of tangible and intangible assets		3,073	2,573
Dividends received	11	22,475	10,807
Cash provided from incentives		19,620	30,480
Dividends received from financial investments	23	9,559	-
Cash flows from investing activities		(294,203)	(251,593)
Financing activities:			
Proceeds from bank borrowings		1,183,237	1,484,175
Repayment of bank borrowings		(1,571,262)	(1,002,872)
Dividends paid		(403,555)	(342,876)
Interest paid		(118,066)	(136,582)
Interest received		29,761	17,753
Bonds issued		889,269	-
Derivative instruments		15,968	(7,280)
Cash flows from financing activities		25,352	12,318
Net decrease in cash and cash equivalents before currency translation differences			
		(350,197)	15,421
Currency translation differences (net)		107,930	(15,010)
Net increase/(decrease) in cash and cash equivalents		(242,267)	411
Cash and cash equivalents at January 1	4	1,739,277	1,172,662
Cash and cash equivalents at September 30	4	1,497,010	1,173,073

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 PERIOD ENDED SEPTEMBER 30, 2013

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

NOTE 1 - GROUP’S ORGANISATION AND NATURE OF OPERATIONS

Arçelik Anonim Şirketi (“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 fourteen manufacturing plants in Turkey, Romania, Russia, China and Republic of South Africa. The Company is controlled by Koç Holding A.Ş., the parent company, Koç Family and the companies owned by Koç Family (Note 21).

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 Borsa İstanbul (“BIST”) since 1986. At September 30, 2013, the publicly listed shares are 25.19% of the total shares.

The average number of employees of the Group in the period ended September 30, 2013 is 24,101 (January 1- September 30, 2012: 22,720).

<u>Subsidiaries and branches</u>	<u>Country of incorporation</u>	<u>Core Business</u>	<u>Nature of business</u>
Continuing operations as of balance sheet date			
Ardutch B.V. (“Ardutch”)	Netherlands	Investment	Holding
Ardutch B.V. Taiwan (“Ardutch Taiwan”) (*)	Taiwan	Purchase	Consumer Durables/Electronics
Beko A and NZ Pty Ltd. (“Beko Australia”) (*)	Australia, New Zealand	Sales	Consumer Durables
Beko Deutschland GmbH (“Beko Deutschland”)	Germany	Sales	Consumer Durables/Electronics
Beko Egypt Trading LLC (“Beko Egypt”)	Egypt	Sales	Consumer Durables
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 Plc. (“Beko UK”) (*)	UK, Republic of Ireland	Sales	Consumer Durables/Electronics
Beko Slovakia S.R.O. (“Beko Slovakia”)	Slovakia	Sales	Consumer Durables/Electronics
Beko S.A. (“Beko Polska”) (*)	Poland, Czech Republic	Sales	Consumer Durables/Electronics
Beko Shanghai Trading Company Ltd. (“Beko Shanghai”)	China	Sales	Consumer Durables/Electronics
Beko Ukraine LLC (“Beko Ukraine”)	Ukraine	Sales	Consumer Durables
Changzhou Beko Electrical Appliances Co. Ltd. (“Beko China”)	China	Production/Sales	Consumer Durables
Defy Appliances (Proprietary) Limited (“Defy”)	Republic Of South Africa	Production/Sales	Consumer Durables
Defy (Botswana) (Proprietary) Limited (“Defy Botswana”)	Botswana	Sales	Consumer Durables
Defy (Namibia) (Proprietary) Limited (“Defy Namibia”)	Namibia	Sales	Consumer Durables
Defy Trust Two (Proprietary) Limited (“Defy Trust”)	Republic of South Africa	Investment	Real Estate
Elektra Bregenz AG (“Elektra Bregenz”)	Austria	Sales	Consumer Durables/Electronics
Grundig Multimedia A.G. (“Grundig Switzerland”)	Switzerland	Sales	Electronics
Grundig Multimedia B.V. (“Grundig Multimedia”)	Netherlands	Investment	Holding
Grundig Intermedia GmbH (“Grundig Intermedia”) (*)	Germany, Croatia	Sales	Electronics
Grundig Nordic No AS (“Grundig Norway”)	Norway	Sales	Consumer Durables/Electronics
Grundig Nordic AB. (“Grundig Sweden”)	Sweden	Sales	Consumer Durables/Electronics
Kindoc Park (Proprietary) Limited (“Defy Kindoc”)	Republic of South Africa	Investment	Real Estate
Raupach Wollert GmbH (“Raupach”)	Germany	Investment	Holding
SC Arctic SA (“Arctic”)	Romania	Production/Sales	Consumer Durables/Electronics

(*) Branches of the Subsidiary, which operate in a different country, are separately presented.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2013

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

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

	<u>Country of incorporation</u>	<u>Core Business</u>	<u>Nature of business</u>
Subsidiaries			
Ceased operations as of balance sheet date:			
Archin Limited (“Archin”)	Hong Kong, China	-	-
ArcticPro SRL (“ArcticPro”)	Romania	-	-
Beko Cesko (“Beko Cesko”)	Czech Republic	-	-
Beko S.A. Hungary (“Beko Hungary”)	Hungary	-	-
Blomberg Werke GmbH (“Blomberg Werke”)	Germany	-	-
Defy (Swaziland) (Proprietary) Limited (“Defy Swaziland”)	Swaziland	-	-
Carron SA (Proprietary) Limited (“Defy Carron”)	Republic of South Africa	-	-
Grundig Ceska Republika S.r.o (“Grundig Czech Republic”)	Czech Republic	-	-
Grundig Intermedia Ges.m.b.H (“Grundig Austria”)	Austria	-	-
Grundig Magyarország Kft. (“Grundig Hungary”)	Hungary	-	-
Grundig Portuguesa, Lda (“Grundig Portugal”)	Portugal	-	-
Grundig Slovakia s.r.o (“Grundig Slovakia”)	Slovakia	-	-
Ocean Appliances Limited. (“Defy Ocean”)	Republic of South Africa	-	-
Associates			
Arçelik-LG Klima Sanayi ve Ticaret A.Ş. (“Arçelik-LG”)	Turkey	Production/Sales	Consumer Durables
Koç Finansman A.Ş. (“Koç Finansman”) ⁽¹⁾	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 /Communication

⁽¹⁾ Previously known as Koç Tüketici Finansmanı A.Ş.

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 Turkish Accounting Standards/Turkish Financial Reporting Standards, (“TAS/TFRS”) and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) in line with the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board of Turkey (“CMB”) on June 13 2013 which is published on Official Gazette numbered 28676. TAS/TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards (“IFRS”) by the communiqués announced by the POA.

The Group prepared its interim consolidated financial statements as at and for the period ended September 30, 2013, in accordance with the Turkish Accounting Standard No 34 “Interim Financial Reporting”.

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. The Group has prepared its condensed interim consolidated financial statements in accordance with this decision.

New and amended standards and interpretations

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at September 30, 2013 are applied consistently with the TAS/TFRS and interpretations. The new and amended standards and interpretations effective as of January 1, 2013 has no impact on the condensed interim consolidated financial statements of the Group except for the issue explained in paragraph below and the adoption of TAS 19 – Employee Benefits explained in Note 2.3.

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2013**

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

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

Improvements to IFRSs

In accordance with the annual improvements to IFRSs about the reclassification of spare parts and servicing equipment which is effective for annual periods beginning on or after January 1, 2013, the Group has reclassified spare parts and servicing equipment amounting to TRY 11,015 to property plant and equipment which was previous accounted in inventory (Note 13).

Standards issued but not yet effective and not early adopted

TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

TFRS 9 Financial Instruments – Classification and measurement

The new standard is effective for annual periods beginning on or after January 1, 2015. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (“FVO”) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA

The following standards, interpretations and amendments to existing TFRS standards are issued by the IASB but not yet effective up to the date of issuance of the interim financial statements. However, these standards, interpretations and amendments to existing TFRS standards are not yet adopted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. This amendment will not have any impact on the financial position or performance of the Group.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2013

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

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

International Financial Reporting Interpretation Committee (“IFRIC”) Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is effective for annual periods beginning on or after January 1, 2014, with early application permitted. Retrospective application of this interpretation is required. This interpretation is not applicable for the Group and will not have any impact on the financial position or performance of the Group.

IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial assets (Amendment)

The IASB, as a consequential amendment to IFRS 13 Fair Value Measurement, modified some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2014. Earlier application is permitted for periods when the entity has already applied IFRS 13. This amendment only affects disclosures and will not have any impact on the financial position or performance of the Group.

IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendment)

In June 2013, the IASB issued amendments to IAS 39 Financial Instruments: Recognition and Measurement that provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2014. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

Resolutions promulgated by the Public Oversight Authority

In addition to those mentioned above, the POA has promulgated the following resolutions regarding the implementation of Turkish Accounting Standards. “Illustrative financial statement and user guide” became immediately effective at its date of issuance; however, the other resolutions shall become effective for the annual reporting periods beginning after December 31, 2012.

2013-1 Illustrative Financial Statement and User Guide

The POA promulgated “illustrative financial statement and user guide” on May 20, 2013 in order to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply TAS, excluding financial institutions established to engage in banking, insurance, private pensions or capital market. The Group made reclassifications stated in Note 2 in order to comply with the requirements of this regulation.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2013

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

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

2013-2 Accounting of Combinations under Common Control

In accordance with the resolution it has been decided that i) combination of entities under common control should be recognized using the pooling of interest method, ii) and thus, goodwill should not be included in the financial statements and iii) while using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and should be presented comparatively from the beginning of the reporting period in which the common control occurred. These resolutions did not have an impact on the financial statements of the Group.

2013-3 Accounting of Redeemed Share Certificates

Clarification has been provided on the conditions and circumstances where the redeemed share certificates shall be recognized as a financial liability or equity based financial instruments. These resolutions did not have an impact on the financial statements of the Group.

2013-4 Accounting of Cross Shareholding Investments

If a subsidiary of a parent entity holds shares of the parent, then this is defined as cross shareholding investment and accounting of this cross investment is assessed based on the type and different recognition principles adopted. With the subject resolution, this topic has been assessed under three main headings as explained below and the recognition principles have been determined for each of them.

- i) the subsidiary holding the equity based financial instruments of the parent,
- ii) the associates or joint ventures holding the equity based financial instruments of the parent,
- iii) the parent’s equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 39 and TFRS 9 by the parent.

These resolutions did not have an impact on the financial statements of the Group.

Functional and presentation currency

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

Financial statements of subsidiaries operating in countries other than Turkey

Financial statements of subsidiaries, operating in countries other than Turkey, are adjusted to TAS/ TFRS for the purpose of fair presentation. 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.

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, 2012, include the accounts of the parent company, Arçelik, and its Subsidiaries.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2013

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

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

The table below sets out all Subsidiaries included in the scope of consolidation discloses their direct and indirect ownership, which are identical to their economic interests, at September 30, 2013 and December 31, 2012 (%) and their functional currencies:

	Functional Currency	September 30, 2013		December 31, 2012	
		Ownership interest	Effective shareholding	Ownership interest	Effective shareholding
Continuing operations as of balance sheet date:					
Arctic	Romanian Lei	96.71	96.71	96.71	96.71
Ardutch	Euro	100.00	100.00	100.00	100.00
Ardutch Taiwan	Taiwanese Dollar	100.00	100.00	100.00	100.00
Beko Australia	Australian Dollar/ New Zealand Dollar	100.00	100.00	100.00	100.00
Beko China	Chinese Yuan	100.00	100.00	100.00	100.00
Beko Czech	Czech Koruna	100.00	100.00	100.00	100.00
Beko Deutschland	Euro	100.00	100.00	100.00	100.00
Beko Espana	Euro	100.00	100.00	100.00	100.00
Beko Egypt	Egyptian Lira	100.00	100.00	100.00	100.00
Beko France	Euro	100.00	100.00	100.00	100.00
Beko Italy	Euro	100.00	100.00	100.00	100.00
Beko Polska	Polish Zloty	100.00	100.00	100.00	100.00
Beko Russia	Russian Ruble	100.00	100.00	100.00	100.00
Beko Slovakia	Euro	100.00	100.00	100.00	100.00
Beko Shanghai	Chinese Yuan	100.00	100.00	100.00	100.00
Beko UK ⁽¹⁾	British Pound/ Euro	50.00	50.00	50.00	50.00
Beko Ukraine	Ukrainian Hryvna	100.00	100.00	100.00	100.00
Defy	South African Rand	100.00	100.00	100.00	100.00
Defy Botswana	Botswana Pula	100.00	100.00	100.00	100.00
Defy Kindoc	South African Rand	100.00	100.00	100.00	100.00
Defy Namibia	Namibian Dollar	100.00	100.00	100.00	100.00
Defy Trust	South African Rand	100.00	100.00	100.00	100.00
Elektra Bregenz	Euro	100.00	100.00	100.00	100.00
Grundig Multimedia	Euro	100.00	100.00	100.00	100.00
Grundig Intermedia	Euro/ Croatian Kuna	100.00	100.00	100.00	100.00
Grundig Norway	Norwegian Krone	100.00	100.00	100.00	100.00
Grundig Sweden	Swedish Krona	100.00	100.00	100.00	100.00
Grundig Switzerland ⁽²⁾	Swiss Franc	100.00	100.00	-	-
Raupach	Euro	100.00	100.00	100.00	100.00
Ceased operations as of balance sheet date:					
Archin	-	100.00	100.00	100.00	100.00
Arctic Pro	-	100.00	100.00	100.00	100.00
Beko Cesko	-	100.00	100.00	100.00	100.00
Beko Magyarorszag K.F.T. ⁽³⁾	-	-	-	100.00	100.00
Beko Hungary	-	100.00	100.00	100.00	100.00
Blomberg Werke	-	100.00	100.00	100.00	100.00
Defy Carron	-	100.00	100.00	100.00	100.00
Defy Ocean	-	100.00	100.00	100.00	100.00
Defy Swaziland ⁽⁴⁾	-	100.00	100.00	-	-
Grundig Czech Republic	-	100.00	100.00	100.00	100.00
Grundig Austria	-	100.00	100.00	100.00	100.00
Grundig Hungary	-	100.00	100.00	100.00	100.00
Grundig Portugal	-	100.00	100.00	100.00	100.00
Grundig Slovakia	-	100.00	100.00	100.00	100.00

⁽¹⁾ Arçelik Group owns full power over the operations of the Subsidiary while holding 50% of voting power of the Subsidiary, based on the declarations of the non-controlling interest holders. Arçelik A.Ş. has the power over the activities; rights to variable returns based on the performance; and the ability to use power to affect the amount of the returns from the Subsidiary.

⁽²⁾ Continuing the operations as an individual entity. Subsidiary was previously performing as a branch of Grundig Multimedia.

⁽³⁾ Dissolved in 2013.

⁽⁴⁾ Founded as an individual entity in year 2013. Subsidiary was previously performing as a branch of Defy.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2013

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

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

Going concern

The 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 realize 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 trends in the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current period condensed interim consolidated financial statements and the significant changes are explained.

In order to conform with changes in presentation in the current period condensed interim consolidated statements of profit or loss, product recall expenses amounting TRY 9,108, which were accounted in marketing, selling and distribution expenses in the consolidated statements of profit or loss of prior periods, are classified under other operating expenses in the current period.

Based on the decision taken on June 7, 2013 by the CMB at its meeting numbered 20/670, a new illustrative financial statement and guidance to it has been issued effective from the interim periods ended after March 31, 2013, which is applicable for the companies that are subject to Communiqué on the Principles of Financial Reporting in Capital Markets. Based on these new illustrative financial statements, a number of changes were made at the Group’s consolidated financial statements. The reclassifications made at the Group’s consolidated statement of financial position as at December 31, 2012 are as follows:

- Prepaid expenses amounting TRY 28,235 including TRY 6,255 inventory and fixed asset advances which were disclosed under other current assets in previous periods are disclosed separately,
- Current income tax assets amounting TRY 26,318 which were disclosed under other current assets in previous periods are disclosed separately,
- Short term portion of long term financial liabilities amounting TRY 1,359,234 which were disclosed under short term financial liabilities in previous periods are disclosed separately,
- Employee benefit obligations amounting TRY 88,081, which includes payables to personnel amounting TRY 81,155 previously disclosed under other payables and accruals for bonuses and premiums amounting TRY 6,926 previously disclosed under other current liabilities, are disclosed in a separate line,
- Other payables due to related parties amounting TRY 7,030 which are disclosed under financial liabilities due to related parties in previous periods are disclosed separately,
- Employment termination benefits amounting TRY 112,254, which was disclosed separately in previous periods are reclassified to long term provisions for employee benefits under long term provisions.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2013

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

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

- Provisions amounting TRY 82,148 which were disclosed under provisions in previous periods are disclosed under other long term provisions,
- Accruals for sales and marketing expenses, accruals for license fee expenses and accruals for advertising expenses amounting TRY 17,165, TRY 22,121 and TRY 8,070 respectively which were disclosed under other current liabilities in previous periods are disclosed under trade payables due to third parties.

The reclassifications made at the Group’s statement of profit or loss for the period ended September 30, 2012 are as follows:

- Income from sales of property, plant and equipment amounting TRY 1,033 which were disclosed under other operating income in previous periods are reclassified to income from investment activities,
- Loss from sales of property, plant and equipment amounting TRY 825 which were disclosed under other operating expense in previous periods are reclassified to expenses from investment activities,
- Foreign exchange gains from trading activities amounting TRY 62,513 and credit finance income amounting TRY 15,156 which were disclosed under financial income in previous periods are reclassified to other operating income,
- Foreign exchange losses from trading activities amounting TRY 113,718 and credit finance charges amounting TRY 3,664 which were disclosed under financial expenses in previous periods are reclassified to other operating expenses.

The reclassifications made at the Group’s September 30, 2012 condensed interim statement of cash flows are as follows:

- Reclassifications are made at the statement of cash flows between cash flows from operating activities, investing activities and cash flow from financing activities retrospectively. For the period ended September 30,2012; cash inflow from incentives amounting TRY 30,480 are disclosed under cash flow from investing activities and cash outflow arising from derivative financial instruments amounting TRY 7,280 are disclosed under cash flows from financing activities. These reclassifications are presented under adjustments to reconcile net cash provided from operating activities to income before taxes.

2.2 Restatement and errors in the accounting policies and estimates

Any change in the accounting policies resulted from the first time adoption of a new TAS/IFRS is made either retrospectively or prospectively in accordance with the transition requirements of TAS/IFRS. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2013

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

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

2.3 Changes in accounting policies and restatement of previous periods’ financial statements

TAS 19, Employee Benefits, effective from January 1, 2013, requires the recognition of actuarial gain/loss related to the employment termination benefits in the statement of comprehensive income.

Until December 31, 2012, the Group accounted actuarial gain/losses arising from provisions for employment termination benefits in the statement of profit or loss. The group applied the change in accounting policy retrospectively and actuarial gain/losses reported in previous periods’ consolidated profit or loss statements were restated in actuarial gain and losses arising from defined benefit plans under shareholders’ equity.

- Actuarial gain and losses arising from defined benefit plans which were reported under cost of sales amounting TRY 891, under research and development expenses amounting TRY 95, under marketing, selling and distribution expenses amounting TRY 105, under general and administrative expenses amounting TRY 174 and under deferred tax effect amounting TRY 253 in interim consolidated profit or loss statements for the nine months period ended September 30, 2012 are reclassified to statement of other comprehensive income.
- Actuarial losses amounting TRY 1,012 which were reported under profit before tax in consolidated statement of cash flows for the nine months period ended September 30, 2012 are reclassified to change in provisions line with the content of provision for employment termination benefits.
- Actuarial gain amounting TRY 5,050 and actuarial losses amounting TRY 4,803 netted off deferred tax (net effect is TRY 247) which were disclosed under shareholders’ equity in net income for the period in the statements of financial position as of December 31, 2012 are reclassified to actuarial gain/ loss arising from defined benefit plans line under shareholders’ equity.

2.4 Summary of significant accounting policies

The condensed interim consolidated financial statements of the Group for the nine months period ended September 30, 2013 have been prepared in accordance with IAS 34 “Interim Financial Reporting”. Additionally, 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, 2012 except the reclassification changes made according in accordance with the illustrative financial statement and user guide issued in accordance with the decision taken in CMB’s 20/670 numbered meeting on June 7, 2013 and the changes arising from amendments in TAS 19. Related reclassification changes and changes arising from TAS 19 amendments are explained in Note 2.2 and Note 2.3. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2012.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2013

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

NOTE 3 - SEGMENT REPORTING

The reportable segments of Arçelik have been organized 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 electronics 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 comprise 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 TAS/IFRS.

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 nine-month period ended September 30, 2013 are as follows:

	White goods	Consumer electronics	Other	Total
Total segment revenue	5,596,998	1,054,458	1,346,651	7,998,107
Gross profit	1,886,066	191,275	359,580	2,436,921
Depreciation and amortization	184,333	36,125	7,863	228,321
Capital expenditures	308,323	36,251	8,259	352,833
Income from associates	-	-	30,390	30,390

- b) Operational segments which have been prepared in accordance with the reportable segments for the nine-month period ended September 30, 2012 are as follows:

	White goods	Consumer electronics	Other	Total
Total segment revenue	5,208,585	1,358,528	1,345,368	7,912,481
Gross profit	1,675,934	274,536	343,046	2,293,516
Depreciation and amortization	153,386	33,690	7,304	194,380
Capital expenditures	260,328	33,902	5,450	299,680
Income from associates	-	-	31,333	31,333

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2013

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

NOTE 3 - SEGMENT REPORTING (Continued)

- c) Operational segments which have been prepared in accordance with the reportable segments for the three-month period between from July 1 – September 30, 2013 are as follows:

	White goods	Consumer electronics	Other	Total
Total segment revenue	2,120,330	405,887	376,259	2,902,476
Gross profit	723,722	84,355	90,108	898,185
Depreciation and amortization	64,279	12,325	2,373	78,977
Capital expenditures	145,255	14,241	2,400	161,896
Income from associates	-	-	6,669	6,669

- d) Operational segments which have been prepared in accordance with the reportable segments for the three-month period between July 1 – September 30, 2012 are as follows:

	White goods	Consumer electronics	Other	Total
Total segment revenue	1,953,923	385,871	387,899	2,727,693
Gross profit	650,931	67,061	95,038	813,030
Depreciation and amortization	48,675	11,415	2,478	62,568
Capital expenditures	109,331	7,897	501	117,729
Income from associates	-	-	7,790	7,790

- e) Sales revenue, grouped geographically for the nine-months periods ended at September 30, are as below:

January 1 – September 30, 2013	Turkey	Europe	Africa	Other	Total
Total segment revenue	3,479,870	3,000,491	692,959	824,787	7,998,107
Income from associates	30,390	-	-	-	30,390

January 1 – September 30, 2012	Turkey	Europe	Africa	Other	Total
Total segment revenue	3,445,003	2,940,157	696,940	830,381	7,912,481
Income from associates	31,333	-	-	-	31,333

- f) Sales revenue, grouped geographically for the period between July 1 – September 30, are as below:

July 1 – September 30, 2013	Turkey	Europe	Africa	Other	Total
Total segment revenue	1,211,477	1,198,652	228,508	263,839	2,902,476
Income from associates	6,669	-	-	-	6,669

July 1 – September 30, 2012	Turkey	Europe	Africa	Other	Total
Total segment revenue	1,182,674	1,029,607	234,640	280,772	2,727,693
Income from associates	7,790	-	-	-	7,790

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2013

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	September 30, 2013	December 31, 2012
Cash in hand	349	304
Cash at banks		
- demand deposits	86,813	98,558
- time deposits	1,298,115	1,578,386
Cheques and notes	64,762	58,500
Treasury bills	41,460	-
Other	5,511	3,529
Cash and cash equivalents in cash flow statement	1,497,010	1,739,277
Interest income accruals	1,167	1,512
	1,498,177	1,740,789

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

Up to 30 days	1,276,338	1,362,729
30-90 days	221,839	378,060
	1,498,177	1,740,789

As of balance sheet date effective interest rates (%) of time deposits are as follows:

TRY	-	8.4
USD	0.6	2.8
EUR	2.3	1.7
CNY	1.4	2.2
ZAR	4.5	4.5
GBP	0.3	0.3
SEK	0.1	0.1
CHF	0.1	0.1
EGP	6.7	6.5
NOK	-	1.8
PLN	2.3	4.3
RON	2.1	5.3

NOTE 5 - FINANCIAL INVESTMENTS

Available-for-sale investments

	September 30, 2013		December 31, 2012	
	%	TRY	%	TRY
Koç Finansal Hizmetler A.Ş.	3.98	651,193	3.98	637,253
Other		1,488		1,488
		652,681		638,741

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	September 30, 2013	December 31, 2012
Short-term bank borrowings	918,834	785,039
Other	333	132
Total short-term financial liabilities	919,167	785,171
Short-term portion of long-term bank borrowings and interest accruals	932,178	1,359,235
Interest accruals of long-term bond issued (*)	25,145	-
Total short-term portion of long-term financial liabilities	957,323	1,359,235

(*) The Group issued bond to the investors outside of Turkey and bond sales transactions were completed on April 3, 2013. Maturity of the bonds amounting USD 500 million with re-offer yield 5.125% that quoted in Ireland Stock Exchange is April 3, 2023. Interest payments are on semi-annual basis and coupon rate is 5%.

As of September 30, 2013, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	6.4	472,606,473	472,606
EUR	1.0	140,888,266	387,217
RUB	7.8	915,303,322	57,097
CNY	5.6	5,007,000	1,655
NOK	3.6	763,343	259
			918,834

As of December 31, 2012, the details of short-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	0.0	12,175,451	12,175
EUR	1.1	240,788,355	566,262
USD	1.1	73,639,937	131,271
RUB	8.6	1,027,529,633	59,679
CNY	5.6	55,102,667	15,632
RON	7.8	38,968	20
			785,039

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

b) Long-term financial liabilities

	September 30, 2013	December 31, 2012
Long-term bank borrowings	1,766,295	1,858,992
Long-term bond issued	1,004,107	-
Other	168	111
	2,770,570	1,859,103

As of September 30, 2013, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	9.3	1,113,157,019	1,113,157
EUR	2.5	482,424,499	1,325,896
ZAR	6.7	683,888,390	137,653
USD	3.2	50,487,361	102,702
RUB	7.7	305,620,227	19,065
			2,698,473
Less: Short-term portion of long-term loans and interest accruals			(932,178)
			1,766,295

As of December 31, 2012, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
TRY	7.9	1,061,403,013	1,061,403
EUR	2.5	652,765,392	1,535,109
USD	2.5	177,442,071	316,309
GBP	2.6	50,172,417	144,035
ZAR	6.7	684,001,830	143,947
RUB	8.1	300,000,000	17,424
			3,218,227
Less: Short-term portion of long-term loans and interest accruals			(1,359,235)
			1,858,992

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

As of September 30, 2013, detail of discounted amounts of long-term bonds issued is given below:

Currency	Effective interest rate per annum (%)	Original currency	TRY equivalent
USD	5.1	505,973,873	1,029,252
			1,029,252
Less: Interest accruals of long-term bonds issued			(25,145)
			1,004,107

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

	September 30, 2013	December 31, 2012
2014	274,840	743,590
2015	1,137,216	812,294
2016	116,044	99,294
2017	116,044	99,294
2018 and after	1,126,258	104,520
	2,770,402	1,858,992

The analysis of borrowings and bonds issued in terms of periods remaining to contractual re-pricing dates is as follows:

Up to 6 months	3,113,655	3,514,922
6 - 12 months	226,944	176,840
1-5 years	215,631	259,244
Over 5 years	1,090,329	52,260
	4,646,559	4,003,266

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS

	September 30, 2013		December 31, 2012	
	Contract amount	Fair value Assets /(Liabilities)	Contract amount	Fair value Assets /(Liabilities)
<i>Held for trading:</i>				
<i>Short-term derivative financial instruments</i>				
Forward transactions	654,603	1,762 (933)	436,522	325 (2,415)
Foreign currency swap contracts	542,752	2,205 (1,508)	553,781	1,851 (1,265)
	1,197,355	3,967 (2,441)	990,303	2,176 (3,680)

Long-term derivative financial instruments

Cross-currency fixed interest rate swap (*)	1,511,001	- (17,343)	-	-	-
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(*) In order to mitigate foreign exchange risk and to naturally hedge principal and interest payments of the long term bond issued in US Dollars against the major foreign currencies that sales and collections are performed in, Group entered into cross currency fixed interest rate swap amounting to EUR 202.8 million with 4.65% interest rate in return for USD 270 million and amounting to GBP 57.5 million with 5% interest rate in return for USD 90 million.

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	September 30, 2013	December 31, 2012
Short-term trade receivables:		
Trade receivables	2,568,703	1,906,489
Notes receivables	1,482,899	1,248,940
Cheques receivables	198,673	193,523
Short-term trade receivables (gross)	4,250,275	3,348,952
Less: Provision for doubtful receivables	(104,605)	(93,229)
Less: Unearned credit finance income	(20,400)	(16,832)
Short-term trade receivables (net)	4,125,270	3,238,891

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

Movements in the provision for doubtful receivables for the nine months periods ended September 30 are as follows:

	2013	2012
Balance as of January 1	93,229	93,579
Additions (Note 22)	8,159	10,395
Provisions released (Note 22)	(389)	(1,879)
Write-offs	(2,184)	(6,299)
Currency translation differences	5,790	(2,277)
Balances as of September 30	104,605	93,519

	September 30, 2013	December 31, 2012
Long-term trade receivables:		
Trade receivables	27,327	10,969
	27,327	10,969

Short-term trade payables:		
Trade payables	1,212,084	1,001,156
Debt accruals	83,120	47,356
Unearned credit finance charges	(7,316)	(5,414)
	1,287,888	1,043,098

NOTE 9 - INVENTORIES

	September 30, 2013	December 31, 2012
Raw materials and supplies	869,885	807,397
Work in progress	55,921	61,216
Finished goods	884,882	648,538
Trade goods	278,686	142,292
Inventories (gross)	2,089,374	1,659,443
Less: Provision for impairment on inventories	(62,067)	(59,785)
Inventories (net)	2,027,307	1,599,658

There are no inventories pledged as security for liabilities (December 31, 2012: None).

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 – INVENTORIES (Continued)

Provision for impairment on inventories in terms of inventory type is as follows:

	September 30, 2013	December 31, 2012
Raw materials and supplies	52,243	51,939
Finished goods	6,539	5,034
Trade goods	3,285	2,812
	62,067	59,785

Movements of provision for impairment on inventories for the periods ended September 30 are as follows:

	2013	2012
Balance as of January 1	59,785	63,311
Additions (Note 22)	2,864	1,027
Realized due to sales of inventory	(1,911)	(1,496)
Currency translation differences	1,329	(205)
Balance as of September 30	62,067	62,637

NOTE 10 - OTHER PAYABLES

	September 30, 2013	December 31, 2012
Taxes and duties payable	108,240	67,053
Dividend payables to shareholders	4,154	3,832
Deposits and guarantees received	3,964	9,876
Other	1,437	3,068
	117,795	83,829

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2013

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NOTE 11 - ASSOCIATES

	September 30, 2013		December 31, 2012	
	%	TRY	%	TRY
Koç Finansman	47.0	79,779	47.0	80,119
Arçelik - LG	45.0	95,232	45.0	80,625
Ram Dış Ticaret	33.5	9,353	33.5	15,478
Tanı Pazarlama	32.0	6,717	32.0	6,392
		191,081		182,614

The movements of associates for the nine months periods ended September 30 are as follows:

	2013	2012
Balance as of January 1	182,614	160,580
Shares of income/loss of associates	30,390	31,333
Shares of other comprehensive income of associates	552	(1,429)
Dividends received	(22,475)	(10,807)
Balance as of September 30	191,081	179,677

Shares of income/loss from associates:

	January 1- September 30, 2013	January 1- September 30, 2012	July 1- September 30, 2013	July 1- September 30, 2012
Koç Finansman	13,208	13,620	5,228	4,253
Arçelik – LG	14,607	13,745	(312)	2,075
Ram Dış Ticaret	2,250	4,003	1,248	1,425
Tanı Pazarlama	325	(35)	505	37
	30,390	31,333	6,669	7,790

Aggregated summary figures of the financial statements of associates:

	September 30, 2013		December 31, 2012	
Total assets	2,483,904		2,111,607	
Total liabilities	2,053,050		1,692,604	
	January 1- September 30, 2013	January 1- September 30, 2012	July 1- September 30, 2013	July 1- September 30, 2012
Net sales	1,345,588	1,414,467	360,508	394,777
Net income for the period	68,294	71,363	15,734	18,029

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12 - INVESTMENT PROPERTIES

	2013	2012
Balance as of January 1		
Cost	12,268	13,754
Accumulated depreciation	(7,169)	(7,313)
Net carrying value	5,099	6,441
Net carrying value at the beginning of the period	5,099	6,441
Currency translation differences	952	(379)
Depreciation for the period	(114)	(107)
Net carrying value at the end of the period	5,937	5,955
Balance as of September 30		
Cost	14,565	12,951
Accumulated depreciation	(8,628)	(6,996)
Net carrying value	5,937	5,955

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

	2013	2012
Balance as of January 1		
Cost	4,017,756	3,743,663
Accumulated depreciation	(2,414,353)	(2,296,822)
Net carrying value	1,603,403	1,446,841
Net carrying value at the beginning of the period	1,603,403	1,446,841
Additions	268,878	240,483
Transfers ⁽¹⁾	11,015	-
Disposals	(3,224)	(1,864)
Currency translation differences	35,967	(20,259)
Depreciation for the period	(174,841)	(150,572)
Net carrying value at the end of the period	1,741,198	1,514,629
Balance as of September 30		
Cost	4,336,869	3,903,372
Accumulated depreciation	(2,595,671)	(2,388,743)
Net carrying value	1,741,198	1,514,629

There is no mortgage on property, plant and equipment as of September 30, 2013 (December 31, 2012: None).

⁽¹⁾ Spare parts and servicing equipment that meet the definition of property, plant and equipment are transferred to property, plant and equipments, which had been accounted for as inventories in the prior reporting periods.

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NOTE 14 - INTANGIBLE ASSETS

	2013	2012
Balance as of January 1		
Cost	1,023,120	960,127
Accumulated amortization	(235,519)	(177,033)
Net carrying value	787,601	783,094
Net carrying value at the beginning of the period	787,601	783,094
Additions	83,955	59,197
Disposals	(368)	(501)
Currency translation differences	26,732	(31,588)
Amortization for the period	(53,366)	(43,701)
Net carrying value at the end of the period	844,554	766,501
Balance as of September 30		
Cost	1,137,542	986,055
Accumulated amortization	(292,988)	(219,554)
Net carrying value	844,554	766,501

Net carrying value of the development costs as of September 30, 2013 is TRY 270,715 (December 31, 2012: TRY 241,862) and capitalized development costs in the period is TRY 73,890 (January 1 – September 30, 2012: TRY 55,203).

NOTE 15 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As of September 30, 2013, export commitments from Turkey under the scope of inward processing authorization certificates as export incentives amounts to full USD 969,101,662 (December 31, 2012: USD 968,510,365). In case that the related tax advantages are not utilized, it is possible to close of the certificates including export commitments without any sanctions.

Future minimum rentals payable under non-cancellable operating lease are as follows:

	September 30, 2013	December 31, 2012
Up to 1 year	18,260	14,147
1-5 years	39,551	27,211
Over 5 years	15,722	15,202
Operating lease commitments	73,533	56,560

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

Derivative financial instruments contracts commitments

TRY equivalents of the Group’s foreign exchange purchase and sales commitments in terms of currencies as of September 30, 2013 and December 31, 2012 are as follows.

	Foreign exchange purchase commitments	Foreign exchange sales commitments
September 30, 2013		
TRY	-	32,305
USD	1,153,495	9,385
EUR	186,349	651,785
AUD	1,326	30,269
CZK	-	10,731
ZAR	8,952	141,949
GBP	-	314,460
SEK	-	28,402
PLN	-	39,140
RUB	-	99,808
	1,350,122	1,358,234
	Foreign exchange purchase commitments	Foreign exchange sales commitments
December 31, 2012		
TRY	24,519	50,965
USD	320,581	17,241
EUR	104,514	37,983
AUD	657	18,477
ZAR	-	41,535
GBP	-	196,650
SEK	5,088	21,775
PLN	8,336	23,174
RON	23,371	-
RUB	8,317	87,120
	495,383	494,920

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

	September 30, 2013	December 31, 2012
Collaterals obtained	2,511,260	2,205,854

Collaterals, pledges and mortgages (“CPM”) given by the Group as of September 30, 2013 and December 31, 2012 are as follows:

	September 30, 2013	December 31, 2012
CPM’s given by the Company		
A. CPM’s given for companies own legal personality	689,805	323,043
B. CPM’s given on behalf of fully consolidated companies	36,077	31,195
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.	-	-
Total	725,882	354,238

TRY equivalents of collaterals, pledges and mortgages give as of September 30, 2013 and December 31, 2012 are as follows on original currency basis are as follows:

	September 30, 2013	December 31, 2012
CPM's given by the Company		
USD	658,556	311,784
TRY	48,255	26,059
EUR	14,018	12,714
Other currencies	5,053	3,681
	725,882	354,238

NOTE 16 – PROVISIONS

	September 30, 2013	December 31, 2012
Short-term provisions		
Warranty provision	165,461	136,967
Assembly provision	57,836	39,300
Provision for transportation cost	10,474	9,686
Provision for returns	9,116	7,461
Provision for lawsuit risks	6,660	6,284
Other	54,924	33,679
	304,471	233,377

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NOTE 16 – PROVISIONS (Continued)

	September 30, 2013	December 31, 2012
Long-term provisions		
Warranty provision	87,311	80,311
Other	1,628	1,837
	88,939	82,148

NOTE 17 – PREPAID EXPENSES

	September 30, 2013	December 31, 2012
Short-term prepaid expenses	42,151	21,980
Advances given for fixed assets	16,733	3,429
Advances given for inventories	262	2,826
	59,146	28,235

NOTE 18 – CURRENT INCOME TAX ASSETS

	September 30, 2013	December 31, 2012
Prepaid taxes and funds	43,107	26,318

NOTE 19 – EMPLOYEE BENEFIT OBLIGATIONS

	September 30, 2013	December 31, 2012
Payables to personnel and other employee benefits	106,857	88,081

NOTE 20 - OTHER ASSETS AND LIABILITIES

	September 30, 2013	December 31, 2012
Other current assets:		
Taxes and funds deductible	40,662	39,597
Value added tax and private consumption tax receivable	13,563	12,210
Income accruals	3,760	8,489
Other	10,431	9,158
	68,416	69,454
Other current liabilities:		
Accruals for customer premiums	230,232	145,459
Advances received	365	617
Other	2,420	3,145
	233,017	149,221

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NOTE 21 - 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:

	September 30, 2013	December 31, 2012
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.

	September 30, 2013		December 31, 2012	
	Share %	Amount	Share %	Amount
Shareholders				
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
Total Koç Family members and companies owned by Koç Family members	51.93	350,909	51.93	350,909
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
Paid-in capital	100.00	675,728	100.00	675,728
Adjustment to share capital (*)		468,811		468,811
Total share capital		1,144,539		1,144,539

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

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

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NOTE 21 – EQUITY (Continued)

Contribution to shareholders’ equity related to the merger

Contribution to shareholders’ equity related to the merger with Grundig Elektronik A.Ş. at June 30, 2009 is TRY 14,507 (December 31, 2012: TRY 14,507)

Restricted reserves

The Turkish Commercial Code (“TCC”) stipulates that the general 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. Other legal reserve is appropriated out of 10% of the distributable income after 5% dividend is paid to shareholders. Under the TCC, general legal reserves can only be used for compensating losses, continuing operations in severe conditions or preventing unemployment and taking actions for relieving its effects in case general legal reserves does not exceed half of paid-in capital or issued capital.

The details of these restricted reserves are as follows:

	September 30, 2013	December 31, 2012
General legal reserves	83,690	83,690
Other legal reserves	165,119	132,997
	248,809	216,687

As agreed in the ordinary general meeting dated March 28, 2013, the decision to pay dividend as cash has been taken and the payment was made in April 2013 (previous year in April 2012). The dividend details are as follows: 52.5% (2012:44.4%) corresponding to gross TRY 0.52536 (full) (2012:TRY 0.44397 (full)) (net amount being equal to gross amount) per share of TRY 1.00 (full) nominal value to the institutional shareholders who are full taxpayers and to the limited liable taxpayers who obtain dividends through a business or permanent representative in Turkey; 45.6% (2012: 40.1%) corresponding to gross TRY 0.52536 (full) (2012: TRY 0.44397 (full)) and net TRY 0.45612 (full) (2012: TRY 0.40056 (full)) per share of TRY 1.00 (full) nominal value to the other shareholders.

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NOTE 22 – OTHER OPERATING INCOME AND EXPENSES

	January 1- September 30, 2013	January 1- September 30, 2012	July 1- September 30, 2013	July 1- September 30, 2012
Other operating income :				
Foreign exchange gains arising from trading activities	209,024	62,513	115,279	42,732
Income from claims and	24,349	30,501	5,570	11,646
Credit finance income arising from trading activities	20,232	15,156	3,279	2,439
Reversals of provisions	2,332	4,022	1,575	173
Reversal of provisions for doubtful receivables	389	1,879	58	282
Other	14,597	12,638	3,366	3,542
	270,923	126,709	129,127	60,814
Other operating expenses:				
Foreign exchange losses arising from trading activities	(58,039)	(113,718)	(14,034)	(24,018)
Product recall expenses	(14,688)	(9,108)	(2,780)	(1,034)
Provision expense for doubtful receivables	(8,159)	(10,395)	(5,618)	(5,548)
Provision expense for impairment on inventories	(2,864)	(1,027)	(128)	(7)
Credit finance charges arising from trading activities	(475)	(3,664)	(215)	(185)
Other	(29,640)	(24,385)	(4,130)	(2,595)
	(113,865)	(162,297)	(26,905)	(33,387)

NOTE 23 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	January 1- September 30, 2013	January 1- September 30, 2012	July 1- September 30, 2013	July 1- September 30, 2012
Income from investment activities:				
Dividends received from financial investments	9,559	-	-	-
Income from sales of property plant and equipment	825	1,033	140	293
	10,384	1,033	140	293

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NOTE 23 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES (Continued)

	January 1- September 30, 2013	January 1- September 30, 2012	July 1- September 30, 2013	July 1- September 30, 2012
Expenses from investment activities:				
Loss from sales of property plant and equipment	(1,344)	(825)	(696)	(379)
	(1,344)	(825)	(696)	(379)

NOTE 24 - FINANCIAL INCOME

	January 1- September 30, 2013	January 1- September 30, 2012	July 1- September 30, 2013	July 1- September 30, 2012
Foreign exchange gains (*)	238,297	166,509	98,528	17,566
Gains on derivative financial instruments	44,857	20,653	3,437	5,399
Interest income	29,416	17,382	9,055	4,821
Other	74	115	43	79
	312,644	204,659	111,063	27,865

(*) Foreign exchange gains are related to cash and cash equivalents, financial borrowings and other liabilities.

NOTE 25 – FINANCIAL EXPENSES

	January 1- September 30, 2013	January 1- September 30, 2012	July 1- September 30, 2013	July 1- September 30, 2012
Foreign exchange losses (*)	(363,401)	(80,223)	(153,964)	(19,769)
Interest expenses	(145,535)	(145,009)	(56,278)	(53,747)
Losses on derivative financial instrument	(52,128)	(42,866)	(33,107)	(20,985)
Cash discount expenses	(9,229)	(10,407)	(3,452)	(3,598)
Other	(7,449)	(7,595)	(3,032)	(1,566)
	(577,742)	(286,100)	(249,833)	(99,665)

(*) Foreign exchange losses are related to cash and cash equivalents, financial borrowings and other liabilities.

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NOTE 26 - TAX ASSETS AND LIABILITIES

	September 30, 2013	December 31, 2012
Corporation taxes	59,053	86,591
Less: prepaid tax	(16,096)	(62,583)
Taxes payable (net)	42,957	24,008
Deferred tax assets	85,837	85,968
Deferred tax liabilities	(243,520)	(236,406)
Deferred tax liabilities (net)	(157,683)	(150,438)

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 (December 31, 2012: 20%). Corporation tax is payable at a rate of 20% on the total income of the companies after adjusting for certain disallowable expenses, exempt income and allowances.

The taxes on income for the periods ended September 30 are summarized as follows:

	January 1- September 30, 2013	January 1- September 30, 2012	July 1- September 30, 2013	July 1- September 30, 2012
Tax income/ (expenses)				
- Current period tax	(81,747)	(74,040)	(40,979)	(26,779)
- Deferred tax	(5,548)	(1,542)	3,706	(9,802)
Tax expenses (net)	(87,295)	(75,582)	(37,273)	(36,581)

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

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NOTE 26 - TAX ASSETS AND LIABILITIES (Continued)

The breakdown of cumulative temporary differences and the resulting deferred tax assets/(liabilities) calculated using effective tax rates is as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Property, plant and equipment and intangible assets	1,323,871	1,213,884	(280,952)	(261,202)
Available-for-sale investments	507,407	493,467	(25,369)	(24,672)
Unearned credit finance income/expense (net)	39,691	27,427	(7,938)	(5,485)
Unused tax credits	(258,554)	(276,205)	51,801	57,116
Provision for warranty, assembly and transportation expense	(223,039)	(163,698)	45,672	33,066
Provision for employment termination	(118,029)	(110,790)	23,630	22,184
Provision for impairment on inventories	(56,439)	(51,695)	11,167	10,417
Derivative financial instruments	(15,817)	(1,504)	3,263	201
Provision for doubtful receivables	(14,584)	(12,976)	2,910	2,514
Accrual for licenses	(5,984)	(1,815)	1,197	363
Other	(65,673)	(63,717)	16,936	15,060
Deferred tax liabilities (net)			(157,683)	(150,438)

Movements in the net deferred tax assets/(liabilities) for the nine months periods ended September 30 are as follows:

	2013	2012
Balance as of January 1	(150,438)	(162,755)
Tax expense recognized in income statement	(5,548)	(1,542)
Tax recognized directly in the shareholders’ equity	(196)	(129)
Currency translation differences	(1,501)	8,075
Balance as of September 30	(157,683)	(156,351)

NOTE 27 – EARNINGS PER SHARE

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

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

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NOTE 27 – EARNINGS PER SHARE (Continued)

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

	January 1- September 30, 2013	January 1- September 30, 2012	July 1- September 30, 2013	July 1- September 30, 2012
Net income attributable to the equity holders of the parent	441,797	426,211	161,053	137,232
Weighted average number of ordinary shares with nominal value (Kr1 each one)	67,572,820,500	67,572,820,500	67,572,820,500	67,572,820,500
Earnings per share (Kr) (*)	0.654	0.631	0.238	0.203
Dividends to be distributed to the equity holders of the parent	355,000	300,000	-	-
Gross dividend distributed per share (*)	0.525	0.444	-	-

(*) The earnings and dividends paid per diluted and basic shares do not differ since the shareholders have equal rights on the shares and there is no preferred share.

NOTE 28 - RELATED PARTY DISCLOSURES

(i) Balances with related parties

	September 30, 2013	December 31, 2012
(a) Due from related parties:		
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. ⁽¹⁾	22,839	19,441
Yapı ve Kredi Bankası A.Ş. ⁽¹⁾	2,602	301
Koçtaş Yapı Marketleri Ticaret A.Ş. ⁽¹⁾	2,584	2,104
Other	2,508	740
	30,533	22,586
(b) Due to related parties:		
Short term:		
Arçelik-LG ⁽²⁾	131,760	64,162
Zer Merkezi Hizmetler ve Ticaret A.Ş. ⁽¹⁾	70,606	83,719
Ram Dış Ticaret ⁽²⁾	38,159	15,855
Other	7,887	9,296
	248,412	173,032

⁽¹⁾ Koç Holding group companies

⁽²⁾ Associates

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NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

	September 30, 2013	December 31, 2012
<i>Other short-term payables to related parties:</i>		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	8,337	7,030
<i>Other-long term payables to related parties:</i>		
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	61,651	59,540

(*) The Company has a contract regarding the right to use Beko brand and undertaking the marketing, sales and distribution activities of Beko brand products between the Company and Zer Merkezi Hizmetler ve Ticaret A.Ş. (prior title was Beko Ticaret A.Ş.) for 20 years beginning on 2001. Due to the fact that the rights to use Beko brand will be held by the Company upon the expiration of the contract period, Beko brand has been recognized under intangible assets in the consolidated financial statements of the Group. Net book value of Beko brand, which is held under financial liabilities to related parties, amounts to TRY 81,040 as of September 30, 2013. (December 31, 2012: TRY 81,040).

Maturity breakdown of gross future minimum other payable to related parties is as follows:

	September 30, 2013	December 31, 2012
Other payables to related parties (gross)		
Up to 1 year	11,799	11,221
1 to 5 years	46,431	40,823
Over 5 years	26,089	30,482
	84,319	82,526
Less: future finance charges on other payables to related parties	(14,331)	(15,956)
Present value of other payables to related parties (net)	69,988	66,570

Maturity analysis of the present value of other payables to related parties is as follows:

	September 30, 2013	December 31, 2012
Up to 1 year	8,337	7,030
1 to 5 years	37,167	31,466
Over 5 years	24,484	28,074
	69,988	66,570

(c) Deposits:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries	744,872	590,068
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(d) Bank borrowings:

Yapı ve Kredi Bankası A.Ş. and its subsidiaries	303,228	370,755
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NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

e) Derivative financial instruments

	Contract value	Fair value asset/(liability)	
September 30, 2013			
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	47,252	-	(33)
December 31, 2012			
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	352,538	-	(284)

(ii) Transactions with related parties

(a) Sales of goods and services:

	January 1- September 30, 2013	January 1- September 30, 2012	July 1- September 30, 2013	July 1- September 30, 2012
Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş.	63,952	63,304	14,433	12,467
Koçtaş Yapı Marketleri Ticaret A.Ş.	17,487	18,846	5,627	8,083
Yapı ve Kredi Bankası A.Ş. ⁽¹⁾	5,235	2,427	1,263	880
Arçelik-LG	2,924	3,218	1,275	1,764
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş. ⁽¹⁾	924	5,993	44	490
Zer Merkezi Hizmetler ve Ticaret A.Ş.	809	43,289	200	14,379
Ford Otomotiv Sanayi A.Ş. ⁽¹⁾	-	7,028	-	-
Other	2,221	2,385	256	429
	93,552	146,490	23,098	38,492

(b) Purchases of goods and services:

	January 1- September 30, 2013	January 1- September 30, 2012	July 1- September 30, 2013	July 1- September 30, 2012
Zer Merkezi Hizmetler ve Ticaret A.Ş.	394,458	469,623	160,667	217,312
Arçelik-LG	379,066	389,007	58,110	120,677
Ram Dış Ticaret	79,297	53,997	37,853	26,419
Ram Sigorta Aracılık Hizmetleri A.Ş. ⁽¹⁾ (*)	20,975	22,344	429	550
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	17,369	15,872	4,508	4,671
Setur Servis Turistik A.Ş. ⁽¹⁾	13,332	15,569	5,334	6,899
Other	30,074	34,282	9,017	18,458
	934,571	1,000,694	275,918	394,986

⁽¹⁾ Koç Holding group companies

^(*) The amount is composed of accrued premiums in the interim periods in scope of policies signed between insurance companies with the intermediary role of Ram Sigorta Aracılık Hizmetleri A.Ş which is operating as insurance agency

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NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

The Group purchases direct and indirect materials and receives service from Zer Merkezi Hizmetler A.Ş. The average payment term is around sixty days.

The Group purchases air conditioners, produced by Arçelik-LG. Purchasing conditions are determined in line with the due dates periods and rates pertaining to trade receivables from third parties.

(c) Key management compensation

Total compensation provided to members of the Board of Directors, General Manager and Assistant General Managers by the Company during the nine months period ended September 30, 2013 amounts to TRY 5,013 (January 1-September 30, 2012: TRY 4,832). The compensation includes only short-term benefits.

(d) Other transactions

	January 1- September 30, 2013	January 1- September 30, 2012	July 1- September 30, 2013	July 1- September 30, 2012
<i>Interest income:</i>				
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	17,352	7,708	5,769	2,128
<i>Interest expenses:</i>				
Yapı ve Kredi Bankası A.Ş. and its subsidiaries	6,381	10,095	2,039	2,831

NOTE 29 - 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 markets and seeks to minimize 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 standalone 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.

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**NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)**

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 is 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 utilization 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 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Details of credit and receivable risk as of September 30, 2013 and December 31, 2012 are as follows:

	Trade receivables		Bank deposits	Derivative financial instruments
	Related party	Third party		
September 30, 2013				
Maximum exposed credit risk as of reporting date ⁽¹⁾	30,533	4,152,597	1,384,928	3,967
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(3,110,938)	-	-
A. Net book value of financial asset either are not due or not impaired	30,533	3,891,980	1,384,928	3,967
-Secured portion by guarantees, etc.	-	(2,898,279)	-	-
B. Financial assets with renegotiated conditions	-	29,020	-	-
-Secured portion by guarantees, etc.	-	(24,833)	-	-
C. Net book value of overdue but not impaired financial assets	-	178,461	-	-
-Secured portion by guarantees, etc.	-	(134,690)	-	-
D. Net book value of the impaired assets	-	53,136	-	-
- Overdue (Gross book value)	-	157,741	-	-
- Impairment (-)	-	(104,605)	-	-
- Secured portion of the net value by guarantees, etc.	-	(53,136)	-	-
	Trade receivables		Bank deposits	Derivative financial instruments
	Related parties	Third parties		
December 31, 2012				
Maximum exposed credit risk as of reporting date ⁽¹⁾	22,586	3,249,860	1,678,456	2,716
Secured portion of the maximum credit risk by guarantees, etc. ⁽²⁾	-	(2,712,636)	-	-
A. Net book value of financial asset either are not due or not impaired	22,586	3,004,198	1,678,456	2,716
-Secured portion by guarantees, etc.	-	(2,505,990)	-	-
B. Financial assets with renegotiated conditions	-	26,556	-	-
- Secured portion by guarantees, etc.	-	(25,967)	-	-
C. Net book value of overdue but not impaired financial assets	-	168,384	-	-
- Secured portion by guarantees, etc.	-	(129,957)	-	-
D. Net book value of the impaired assets	-	50,722	-	-
- Overdue (Gross book value)	-	143,951	-	-
- Impairment (-)	-	(93,229)	-	-
- Secured portion of the net value by guarantees, etc.	-	(50,722)	-	-

(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

(2) Major part of guarantees is composed of mortgages and trade receivable insurances

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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

a) Credit quality of financial assets which are not overdue and not impaired and receivables which are re-negotiated.

	September 30, 2013	December 31, 2012
Group 1	27,106	24,004
Group 2	3,826,000	2,968,205
Group 3	98,427	61,131
	3,951,533	3,053,340

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

	September 30, 2013	December 31, 2012
0-1 month	120,703	116,741
1-3 months	19,460	31,983
3-12 months	31,555	14,606
1-5 years	6,743	5,054
	178,461	168,384

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 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 utilizing forward foreign currency transactions and the Group also has fixed cross currency interest rate swap transactions.

Hedge of net investments in a foreign operation

The Group designated some portion of the Euro denominated 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 revaluation fund in order to net off the increment value fund arisen from the translation of the net assets of investments in foreign operations. As of September 30, 2013, a portion of bank borrowings in Euro amounting to EUR 328,750,000 (before tax) was designated as a net investment hedging instrument (December 31, 2012 – EUR 328,750,000).

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**NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)**

Foreign currency position

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

	September 30, 2013	December 31, 2012
Assets	2,846,584	2,368,713
Liabilities	(3,311,884)	(2,874,892)
Net balance sheet position	(465,300)	(506,179)
Net position of derivative financial instruments	718,161	617,836
Net foreign currency position	252,861	111,657

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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Currencies, other than the functional currencies of the Company and its' subsidiaries regarding to national economies, are accepted as foreign currencies. The original currencies are presented in thousands ('000). The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent at September 30, 2013 are as follows:

	EUR	USD	GBP	RUB	PLN	RON	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	TRY Equivalent
Current assets															
Trade receivables	373,309	123,923	105,870	1,555,891	60,741	87,859	107,285	16,177	95,103	-	9,753	18,748	1,030	-	1,902,196
Monetary financial assets	200,886	4,306	93	-	-	-	1	1	296	12,404	2,966	-	487	-	565,678
Other	12,905	58,385	69	-	-	-	-	-	-	-	-	-	371	-	155,084
Non-Current assets															
Trade receivables	-	-	-	-	-	-	-	-	-	1,111,017	-	-	-	-	223,626
Total assets	587,100	186,614	106,032	1,555,891	60,741	87,859	107,286	16,178	95,399	1,123,421	12,719	18,748	1,888	-	2,846,584
Current liabilities															
Trade payables	122,382	128,252	2,276	-	-	-	-	47	58,860	-	-	-	122	14,898	623,782
Financial liabilities	222,493	13,747	-	-	-	-	-	-	-	683,888	-	-	-	-	777,117
Other monetary financial liabilities	2,197	8,782	1,221	-	-	-	-	-	-	-	-	-	456	-	28,657
Non-Current liabilities															
Trade payables	-	30,359	-	-	-	-	-	-	-	-	-	-	-	-	61,756
Financial liabilities	260,062	543,613	-	-	-	-	-	-	-	-	-	-	-	-	1,820,572
Total liabilities	607,134	724,753	3,497	-	-	-	-	47	58,860	683,888	-	-	578	14,898	3,311,884
Net balance sheet position	(20,034)	(538,139)	102,535	1,555,891	60,741	87,859	107,286	16,131	36,539	439,533	12,719	18,748	1,310	(14,898)	(465,300)
Off-balance sheet															
derivative financial assets (*)	301,205	567,051	-	-	-	-	-	-	-	-	-	701	-	-	1,982,653
Off-balance sheet															
derivative financial liabilities (*)	(237,151)	(4,614)	(96,268)	(1,600,000)	(60,000)	-	(100,000)	-	(90,000)	(400,000)	-	(16,000)	-	-	(1,264,492)
Net position of															
off-balance sheet items	64,054	562,437	(96,268)	(1,600,000)	(60,000)	-	(100,000)	-	(90,000)	(400,000)	-	(15,299)	-	-	718,161
Net foreign currency															
asset/ (liability) position	44,020	24,298	6,267	(44,109)	741	87,859	7,286	16,131	(53,461)	39,533	12,719	3,449	1,310	(14,898)	252,861
Net asset/(liability) position of foreign															
currency monetary items	(32,939)	(596,524)	102,466	1,555,891	60,741	87,859	107,286	16,131	36,539	(671,484)	12,719	18,748	939	(14,898)	(844,010)
Fair value of financial instruments used															
for foreign exchange hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(15,817)
Hedged amount of foreign currency asset	237,151	4,614	96,268	1,600,000	60,000	-	100,000	-	90,000	400,000	-	16,000	-	-	1,264,492
Hedged amount of foreign currency															
liabilities	38,205	567,051	-	-	-	-	-	-	-	-	-	701	-	-	1,259,824

(*) Loans designated as hedging instrument against to the foreign currency risk arisen from the conversion of net investments in foreign operation at subsidiaries located in Europe, is included in off balance sheet derivative assets.

ARÇELİK ANONİM ŞİRKETİ**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

September 30, 2013	EUR	USD	GBP	RUB	PLN	RON	CZK	NOK	SEK	ZAR	DKK	AUD	NZD	JPY	TRY Equivalent
Against TRY	(6,780)	39,210	3,029	(44,109)	741	-	7,286	16,178	5,102	1	-	3,449	-	(7,686)	82,993
Against EUR	-	3,691	-	-	-	87,859	-	-	-	39,532	-	-	-	-	69,276
Against RUB	6,158	1,555	-	-	-	-	-	-	-	-	-	-	-	-	20,088
Against PLN	(5,893)	27	-	-	-	-	-	-	-	-	-	-	-	-	(16,141)
Against GBP	5,317	-	-	-	-	-	-	-	-	-	-	-	-	-	14,613
Against RON	27,452	(4,618)	2,041	-	-	-	-	-	-	-	(103)	-	-	(7,212)	72,536
Against CZK	(2,415)	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,637)
Against NOK	4,561	(161)	-	-	-	-	-	-	(58,563)	-	12,822	-	-	-	(1,556)
Against SEK	2,837	(15)	-	-	-	-	-	(47)	-	-	-	-	-	-	7,750
Against CNY	2,795	(7,697)	1,197	-	-	-	-	-	-	-	-	-	-	-	(4,065)
Against ZAR	(3,894)	2,552	-	-	-	-	-	-	-	-	-	-	-	-	(5,511)
Against AUD	(562)	(117)	-	-	-	-	-	-	-	-	-	-	1,310	-	421
Against EGP	17	(10,668)	-	-	-	-	-	-	-	-	-	-	-	-	(21,654)
Against UAH	(4,928)	(371)	-	-	-	-	-	-	-	-	-	-	-	-	(14,299)
Against CHF	19,361	910	-	-	-	-	-	-	-	-	-	-	-	-	55,063
Other	(6)	-	-	-	-	-	-	-	-	-	-	-	-	-	(16)
	44,020	24,298	6,267	(44,109)	741	87,859	7,286	16,131	(53,461)	39,533	12,719	3,449	1,310	(14,898)	252,861

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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent at December 31, 2012 are as follows:

	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	RON	AUD	NZD	JPY	TRY Equivalent
Current assets															
Trade receivables	356,153	95,911	116,538	1,714,475	45,479	93,253	-	154,373	20,644	671	-	14,515	567	-	1,552,016
Monetary financial assets	143,626	61,775	6	1	-	-	-	-	6,327	-	-	-	1,417	-	451,319
Other	21,570	43,307	52	-	-	-	-	-	-	-	131,669	-	770	-	198,464
Non-Current assets															
Trade receivables	-	-	-	-	-	-	-	-	793,130	-	-	-	-	-	166,914
Total assets	521,349	200,993	116,596	1,714,476	45,479	93,253	-	154,373	820,101	671	131,669	14,515	2,754	-	2,368,713
Current liabilities															
Trade payables	91,918	101,970	211	964	-	-	742	23,050	-	-	-	-	119	1,736	405,318
Financial liabilities	297,834	197,442	50,172	-	-	-	-	-	684,002	-	-	-	-	-	1,340,358
Other monetary financial liabilities	2,118	10,663	1,221	-	-	-	-	-	-	-	-	-	341	-	27,996
Non-Current liabilities															
Trade payables	-	33,400	-	-	-	-	-	-	-	-	-	-	-	-	59,539
Financial liabilities	405,048	50,000	-	-	-	-	-	-	-	-	-	-	-	-	1,041,681
Other monetary financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	796,918	393,475	51,604	964	-	-	742	23,050	684,002	-	-	-	460	1,736	2,874,892
Net balance sheet position	(275,569)	(192,482)	64,992	1,713,512	45,479	93,253	(742)	131,323	136,099	671	131,669	14,515	2,294	(1,736)	(506,179)
Off-balance sheet derivative financial assets (*)	297,838	179,839	-	143,203	14,389	-	-	18,694	-	-	-	356	-	-	1,043,406
Off-balance sheet Derivative financial liabilities (*)	(16,151)	(9,672)	(68,500)	(1,500,000)	(40,000)	-	-	(80,000)	(110,000)	-	-	(10,000)	-	-	(425,570)
Net position of off-balance sheet items	281,687	170,167	(68,500)	(1,356,797)	(25,611)	-	-	(61,306)	(110,000)	-	-	(9,644)	-	-	617,836
Net foreign currency asset/ (liability) position	6,118	(22,315)	(3,508)	356,715	19,868	93,253	(742)	70,017	26,099	671	131,669	4,871	2,294	(1,736)	111,657
Net asset/(liability) position of foreign currency monetary items	(297,139)	(235,788)	64,940	1,713,511	45,479	93,253	(742)	131,323	(657,031)	671	-	14,515	1,524	(1,736)	(871,557)
Fair value of financial instruments used for foreign exchange hedge															(1,504)
Hedged amount of foreign currency asset	16,151	9,672	68,500	1,500,000	40,000	-	-	80,000	110,000	-	-	10,000	-	-	425,569
Hedged amount of foreign currency liabilities	34,838	179,839	-	143,203	14,389	-	-	18,694	-	-	-	356	-	-	424,909

(*) Loans designated as hedging instrument against to the foreign currency risk arisen from the conversion of net investments in foreign operation at subsidiaries located in Europe, is included in off balance sheet derivative assets.

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

NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

December 31, 2012	EUR	USD	GBP	RUB	PLN	CZK	NOK	SEK	ZAR	DKK	RON	AUD	NZD	JPY	TRY Equivalent
Against TRY	(13,711)	(4,062)	(9,856)	356,715	19,868	93,573	1	93,067	16,971	-	-	4,871	-	-	11,151
Against EUR	-	(1,467)	-	-	-	(320)	-	-	9,128	-	131,669	-	-	-	68,533
Against RUB	2,672	(1,225)	-	-	-	-	-	-	-	-	-	-	-	-	4,100
Against PLN	(1,998)	18	-	-	-	-	-	-	-	-	-	-	-	-	(4,667)
Against GBP	6,436	-	-	-	-	-	-	-	-	-	-	-	-	-	15,136
Against RON	6,365	1,126	3,234	-	-	-	-	-	-	(34)	-	-	-	(1,736)	26,213
Against CZK	(1,305)	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,069)
Against NOK	(8)	(299)	-	-	-	-	-	(23,050)	-	705	-	-	-	-	(6,604)
Against SEK	35	(79)	-	-	-	-	(743)	-	-	-	-	-	-	-	(296)
Against CNY	3,786	(15,360)	3,114	-	-	-	-	-	-	-	-	-	-	-	(9,537)
Against ZAR	(161)	1,092	-	-	-	-	-	-	-	-	-	-	-	-	1,568
Against AUD	5,730	966	-	-	-	-	-	-	-	-	-	-	2,294	-	18,573
Against EGP	(1,186)	(3,025)	-	-	-	-	-	-	-	-	-	-	-	-	(8,181)
Against UAH	(531)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,249)
Other	(6)	-	-	-	-	-	-	-	-	-	-	-	-	-	(14)
	6,118	(22,315)	(3,508)	356,715	19,868	93,253	(742)	70,017	26,099	671	131,669	4,871	2,294	(1,736)	111,657

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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

As of September 30, 2013, sensitivity analysis of foreign exchange rate tables is presented below. Secured portions include impact of derivative financial instruments,

	Gain/Loss		Equity	
	Foreign Exchange appreciation by 10%	Foreign Exchange depreciation by 10%	Foreign Exchange appreciation by 10%	Foreign Exchange depreciation by 10%
USD net asset/liability	(109,469)	109,469	(109,469)	109,469
Secured portion from USD risk	114,411	(114,411)	114,411	(114,411)
USD Net effect	4,942	(4,942)	4,942	(4,942)
EUR net asset/liability	66,777	(66,777)	42,263	(42,263)
Secured portion from EUR risk	(54,678)	54,678	17,605	(17,605)
EUR Net effect	12,099	(12,099)	59,868	(59,868)
GBP net asset/liability	33,493	(33,493)	43,477	(43,477)
Secured portion from GBP risk	(31,446)	31,446	(31,446)	31,446
GBP Net effect	2,047	(2,047)	12,031	(12,031)
RUB net asset/liability	9,706	(9,706)	27,436	(27,436)
Secured portion from RUB risk	(9,981)	9,981	(9,981)	9,981
RUB Net effect	(275)	275	17,455	(17,455)
RON net asset/liability	5,381	(5,381)	38,875	(38,875)
Secured portion from RON risk	-	-	-	-
RON Net effect	5,381	(5,381)	38,875	(38,875)
PLN net asset/liability	3,962	(3,962)	10,231	(10,231)
Secured portion from PLN risk	(3,914)	3,914	(3,914)	3,914
PLN Net effect	48	(48)	6,317	(6,317)
CZK net asset/liability	1,151	(1,151)	2,630	(2,630)
Secured portion from CZK risk	(1,073)	1,073	(1,073)	1,073
CZK Net effect	78	(78)	1,557	(1,557)
NOK net asset/liability	547	(547)	1,665	(1,665)
Secured portion from NOK risk	-	-	-	-
NOK Net effect	547	(547)	1,665	(1,665)
SEK net asset/liability	1,153	(1,153)	2,237	(2,237)
Secured portion from SEK risk	(2,840)	2,840	(2,840)	2,840
SEK Net effect	(1,687)	1,687	(603)	603
NZD net asset/liability	220	(220)	220	(220)
Secured portion from NZD risk	-	-	-	-
NZD Net effect	220	(220)	220	(220)
ZAR net asset/liability	8,847	(8,847)	46,824	(46,824)
Secured portion from ZAR risk	(8,051)	8,051	(8,051)	8,051
ZAR Net effect	796	(796)	38,773	(38,773)
AUD net asset/liability	3,547	(3,547)	3,406	(3,406)
Secured portion from AUD risk	(2,894)	2,894	(2,894)	2,894
AUD Net effect	653	(653)	512	(512)
DKK net asset/liability	468	(468)	468	(468)
Secured portion from DKK risk	-	-	-	-
DKK Net effect	468	(468)	468	(468)
EGP net asset/liability	-	-	(375)	375
Secured portion from EGP risk	-	-	-	-
EGP Net effect	-	-	(375)	375
UAH net asset/liability	-	-	286	(286)
Secured portion from UAH risk	-	-	-	-
UAH Net effect	-	-	286	(286)
JPY net asset/liability	(31)	31	(31)	31
Secured portion from JPY risk	-	-	-	-
JPY Net effect	(31)	31	(31)	31
	25,286	(25,286)	181,960	(181,960)

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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of December 31, 2012, sensitivity analysis of foreign exchange rate tables is presented below. Secured portions include impact of derivative financial instruments.

	Gain/Loss		Equity	
	Foreign Exchange appreciation by 10%	Foreign Exchange depreciation by 10%	Foreign Exchange appreciation by 10%	Foreign Exchange depreciation by 10%
USD net asset/liability	(34,312)	34,312	(34,312)	34,312
Secured portion from USD risk	30,334	(30,334)	30,334	(30,334)
USD Net effect	(3,978)	3,978	(3,978)	3,978
EUR net asset/liability	(2,954)	2,954	(27,414)	27,414
Secured portion from EUR risk	4,394	(4,394)	66,244	(66,244)
EUR Net effect	1,440	(1,440)	38,830	(38,830)
GBP net asset/liability	18,658	(18,658)	34,146	(34,146)
Secured portion from GBP risk	(19,665)	19,665	(19,665)	19,665
GBP Net effect	(1,007)	1,007	14,481	(14,481)
RUB net asset/liability	9,952	(9,952)	25,681	(25,681)
Secured portion from RUB risk	(7,880)	7,880	(7,880)	7,880
RUB Net effect	2,072	(2,072)	17,801	(17,801)
RON net asset/liability	6,926	(6,926)	31,006	(31,006)
Secured portion from RON risk	-	-	-	-
RON Net effect	6,926	(6,926)	31,006	(31,006)
PLN net asset/liability	2,635	(2,635)	6,927	(6,927)
Secured portion from PLN risk	(1,484)	1,484	(1,484)	1,484
PLN Net effect	1,151	(1,151)	5,443	(5,443)
CZK net asset/liability	877	(877)	1,770	(1,770)
Secured portion from CZK risk	-	-	-	-
CZK Net effect	877	(877)	1,770	(1,770)
NOK net asset/liability	(24)	24	973	(973)
Secured portion from NOK risk	-	-	-	-
NOK Net effect	(24)	24	973	(973)
SEK net asset/liability	3,574	(3,574)	4,365	(4,365)
Secured portion from SEK risk	(1,669)	1,669	(1,669)	1,669
SEK Net effect	1,905	(1,905)	2,696	(2,696)
NZD net asset/liability	338	(338)	338	(338)
Secured portion from NZD risk	-	-	-	-
NZD Net effect	338	(338)	338	(338)
ZAR net asset/liability	2,864	(2,864)	41,806	(41,806)
Secured portion from ZAR risk	(2,315)	2,315	(2,315)	2,315
ZAR Net effect	549	(549)	39,491	(39,491)
AUD net asset/liability	2,682	(2,682)	2,684	(2,684)
Secured portion from AUD risk	(1,782)	1,782	(1,782)	1,782
AUD Net effect	900	(900)	902	(902)
DKK net asset/liability	21	(21)	21	(21)
Secured portion from DKK risk	-	-	-	-
DKK Net effect	21	(21)	21	(21)
EGP net asset/liability	-	-	90	(90)
Secured portion from EGP risk	-	-	-	-
EGP Net effect	-	-	90	(90)
UAH net asset/liability	-	-	194	(194)
Secured portion from UAH risk	-	-	-	-
UAH Net effect	-	-	194	(194)
JPY net asset/liability	(4)	4	(4)	4
Secured portion from JPY risk	-	-	-	-
JPY Net effect	(4)	4	(4)	(4)
	11,166	(11,166)	150,054	(150,054)

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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(Continued)

Imports and exports to / from Turkey for the periods ended as of September 30, 2013 and 2012 are as follows:

	January 1 - September 30, 2013		January 1 - September 30, 2012	
	Original amount	TRY equivalent	Original amount	TRY equivalent
EUR	680,623,228	1,680,877	806,916,459	1,856,363
USD	260,057,655	482,735	229,283,150	410,463
GBP	193,145,564	563,722	191,643,290	542,880
Other		316,763		343,345
Total exports		3,044,097		3,153,051
EUR	340,583,654	833,995	344,073,583	789,923
USD	638,724,790	1,191,122	822,498,461	1,476,591
GBP	491,172	1,429	707,981	2,003
Other		4,462		3,359
Total imports		2,031,008		2,271,876

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy table as at September 30, 2013 is as follows:

Financial assets carried at fair value in statement of financial position:

	Level 1	Level 2	Level 3
Derivative financial assets	-	3,967	-
Financial assets	-	651,193	-

Financial liabilities carried at fair value in statement of financial position:

Derivative financial liabilities	-	19,784	-
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NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

Fair value hierarchy table as at December 31, 2012 is as follows:

**Financial assets carried at fair value in statement of
financial position:**

	Level 1	Level 2	Level 3
Derivative financial assets	-	2,176	-
Financial assets	-	637,253	-

**Financial liabilities carried at fair value in statement of
financial position:**

Derivative financial liabilities	-	3,680	-
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NOTE 30 - SUPPLEMENTARY CASH FLOW INFORMATION

Condensed interim consolidated statements of cash flows are presented within the condensed interim consolidated financial statements, “Changes in provisions” presented in the condensed interim consolidated statements of cash flows are as follows:

	September 30, 2013	September 30, 2012
Changes in provisions:		
Assembly and transportation provision	19,324	6,988
Accrual for customer premiums	84,773	100,956
Accrual for bonuses and premiums	38,579	26,320
Warranty provision	35,494	11,826
Accrual for sales and marketing expenses	23,852	4,584
Accruals for license expenses	8,872	7,379
Provision for doubtful receivables	8,159	10,395
Provision for employment termination benefits	7,598	8,141
Accrual for advertisement expenses	3,040	6,966
Provision for impairment on inventories	2,864	1,027
Return provisions	1,655	479
Provision for legal claims	376	2,222
	234,586	187,283