

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

Arçelik Anonim Şirketi

January 1 – September 30, 2010 condensed interim consolidated financial statements

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30, 2010

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ARÇELİK ANONİM ŞİRKETİ

**CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2010 AND DECEMBER 31, 2009**

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

		Unaudited	Audited
	Notes	September 30, 2010	December 31, 2009
ASSETS			
Current assets:			
Cash and cash equivalents	5	861,992	904,734
Derivative financial instruments	8	3,673	4,444
Trade receivables	9	2,421,252	2,233,011
Inventories	10	942,611	906,786
Other current assets	17	101,159	108,980
Total current assets		4,330,687	4,157,955
Non-current assets:			
Trade receivables	9	10,132	4,254
Financial investments	6	527,246	395,814
Associates	11	136,758	129,169
Investment properties	12	5,305	6,344
Property, plant and equipment	13	1,185,955	1,244,109
Intangible assets	14	443,010	439,993
Goodwill		7,157	7,511
Deferred tax assets	22	37,670	41,509
Total non-current assets		2,353,233	2,268,703
Total assets		6,683,920	6,426,658

These condensed interim consolidated financial statements as at and for the period ended September 30, 2010, have been approved for issue by the Board of Directors on October 27, 2010 and signed on its behalf by Fatih Kemal Ebiçlioğlu, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director.

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

ARÇELİK ANONİM ŞİRKETİ

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

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

		Unaudited	Audited
	Notes	September 30, 2010	December 31, 2009
LIABILITIES			
Current liabilities:			
Financial liabilities	7	739,094	1,923,727
Derivative financial instruments	8	41	698
Trade payables	9	842,876	762,402
Other payables		110,121	104,533
Current income tax liabilities	22	17,610	14,356
Provisions	16	201,308	204,659
Other non-current liabilities	17	203,732	169,288
Total current liabilities		2,114,782	3,179,663
Non-current liabilities:			
Financial liabilities	7	1,082,106	188,314
Trade payables	9	61,092	67,380
Provisions for employment termination benefits		92,628	85,335
Deferred tax liabilities	22	118,361	95,201
Provisions	16	55,978	60,761
Other non-current liabilities	17	7,573	6,501
Total non-current liabilities		1,417,738	503,492
Total liabilities		3,532,520	3,683,155
EQUITY			
Paid-in capital	18	675,728	675,728
Adjustment to share capital	18	468,811	468,811
Share premium		889	889
Revaluation fund	18	385,626	283,558
Currency translation differences		8,963	35,137
Restricted reserves	18	168,445	161,824
Contribution to shareholders’ equity related to merger	18	14,507	14,507
Retained earnings		954,171	574,257
Net income for the period		418,610	485,410
Attributable to			
Equity holders of the parent		3,095,750	2,700,121
Non-controlling interest		55,650	43,382
Total equity		3,151,400	2,743,503
Total liabilities and equity		6,683,920	6,426,658
Commitments, contingent assets and liabilities	15		

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

ARÇELİK ANONİM ŞİRKETİ

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED SEPTEMBER 30**

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

	Notes	Unaudited			
		January 1- September 30 2010	January 1- September 30 2009	July 1- September 30 2010	July 1- September 30 2009
Net sales	4	5,100,508	4,859,662	1,846,727	1,772,157
Cost of sales		(3,543,562)	(3,262,086)	(1,292,767)	(1,120,388)
Gross profit		1,556,946	1,597,576	553,960	651,769
Marketing, selling and distribution expenses		(788,614)	(813,557)	(274,323)	(288,027)
General administrative expenses		(254,627)	(242,173)	(84,309)	(80,212)
Research and development expenses		(42,550)	(40,856)	(15,391)	(21,389)
Other income	19	90,306	185,878	19,901	41,525
Other expenses	19	(38,328)	(59,077)	(17,509)	(42,956)
Operating profit		523,133	627,791	182,329	260,710
Income from associates (net)	11	12,061	6,241	6,944	510
Financial income	20	218,970	367,233	54,062	72,331
Financial expenses	21	(218,134)	(539,936)	(50,534)	(103,081)
Income before tax		536,030	461,329	192,801	230,470
Income tax					
- Taxes on income	22	(70,582)	(82,697)	(13,396)	(70,728)
- Deferred tax income/expense	22	(22,789)	38,928	(21,752)	164
Net income		442,659	417,560	157,653	159,906
Attributable to:					
Non-controlling interest		24,049	7,222	9,516	7,192
Equity holders of the parent		418,610	410,338	148,137	152,714
Earnings per share (Kr)	23	0.619	0.786	0.219	0.226

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

(CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH – SEE NOTE 2.5)

ARÇELİK ANONİM ŞİRKETİ

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

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

	Unaudited			
	January 1- September 30	January 1- September 30	January 1- September 30	January 1- September 30
	2010	2010	2010	2010
Net income for the period	442,659	417,560	157,653	159,906
Other comprehensive income/ (loss):				
Fair value gains/losses on tangible and intangible assets(net)	272	185	(415)	(11)
Fair value gains/losses on financial assets (net)	124,860	30,752	-	-
Financial hedge fund	(4,121)	-	(2,790)	-
Currency translation differences	(46,389)	(10,483)	3,890	(2,099)
Reclassification entries:				
Financial assets revaluation fund (net)	-	(121,627)	-	(11,141)
Other comprehensive income/ (loss) (after tax)	74,622	(101,173)	685	(13,251)
Total comprehensive income	517,281	316,387	158,338	146,655
Total comprehensive income:				
Non-controlling interest	21,709	6,617	8,663	6,086
Equity holders of the parent	495,572	309,770	149,675	140,569

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(CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH – SEE NOTE 2.5)

ARÇELİK ANONİM ŞİRKETİ

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTH - PERIODS ENDED SEPTEMBER 30**

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

	Adjustment		Currency		Contribution	Net	Equity	Non-	Total			
	Paid-in	to share	Share	Revaluation	Translation	Restricted	to shareholder	Retained	income	holders	controlling	equity
	capital	capital	premium	funds	differences	reserves	equity due to	earnings	for the	of the	interest	
							merger	period	parent			
As of January 1, 2009	399,960	468,811	96	287,902	40,800	157,784	-	542,917	39,794	1,938,064	63,265	2,001,329
Capital increase	249,975	-	-	-	-	-	-	-	-	249,975	-	249,975
Transfers	9,999	-	-	-	-	-	-	29,795	(39,794)	-	-	-
Transfer from non-controlling interest to shareholder's equity due to merger with the subsidiary	15,794	-	-	-	-	-	18,547	-	-	34,341	(34,341)	-
Share premium	-	-	793	-	-	-	-	-	-	793	-	793
Dividends paid	-	-	-	-	-	-	-	-	-	-	(2,542)	(2,542)
Total comprehensive income/(loss)	-	-	-	(91,416)	(9,878)	-	-	726	410,338	309,770	6,617	316,387
As of September 30, 2009	675,728	468,811	889	196,486	30,922	157,784	18,547	573,438	410,338	2,532,943	32,999	2,565,942
As of January 1, 2010	675,728	468,811	889	283,558	35,137	161,824	14,507	574,257	485,410	2,700,121	43,382	2,743,503
Transfers	-	-	-	-	-	-	-	485,410	(485,410)	-	-	-
Purchase of additional shares in subsidiaries	-	-	-	-	-	-	-	57	-	57	(57)	-
Dividends paid	-	-	-	-	-	6,621	-	(106,621)	-	(100,000)	(9,384)	(109,384)
Total comprehensive income/(loss)	-	-	-	102,068	(26,174)	-	-	1,068	418,610	495,572	21,709	517,281
As of September 30, 2009	675,728	468,811	889	385,626	8,963	168,445	14,507	954,171	418,610	3,095,750	55,650	3,151,400

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

ARÇELİK ANONİM ŞİRKETİ

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30**

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

		Unaudited	Unaudited
	Notes	September 30, 2010	September 30, 2010
Operating activities			
Income before tax		536,030	461,329
<i>Adjustments to reconcile net cash provided from operating activities to income before taxes:</i>			
Changes in provisions	26	87,137	143,043
Depreciation and amortisation		143,041	140,558
Interest income	20	(29,794)	(28,633)
Interest expense	21	80,879	251,076
Income from associates (net)	11	(12,061)	(6,241)
Gain/losses on sales of tangible and intangible assets (net)		(37,243)	255
Gain on sales of financial assets		-	(128,032)
Income from operating activities before changes in operating assets and liabilities		767,989	833,355
Net change in operating assets and liabilities	26	(194,726)	626,529
Income tax paid		(37,353)	(49,018)
Cash flows from operating activities		535,910	1,410,866
Investing activities:			
Cash provided from sales of tangible and intangible assets		25,545	3,399
Acquisition of tangible and intangible assets		(136,965)	(121,809)
Cash provided from sales of financial assets		-	266,799
Dividend received	11	4,472	-
Currency translation differences (net)		(20,394)	1,168
Cash flows from investing activities		(127,342)	149,557
Financing activities:			
Increase/ decrease in bank borrowings (net)		(286,671)	(1,019,551)
Interest paid		(85,049)	(278,208)
Dividends paid		(109,384)	(2,542)
Interest received		32,818	28,633
Capital increase		-	249,975
Share premium received		-	793
Cash flows from financing activities		(448,286)	(1,020,900)
Net increase in cash and cash equivalents		(39,718)	539,523
Cash and cash equivalents at January 1	5	900,133	414,005
Cash and cash equivalents at September 30	5	860,415	953,528

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 NINE-MONTH PERIOD ENDED SEPTEMBER 30

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

NOTE 1 - GROUP’S ORGANISATION AND NATURE OF OPERATIONS

Arçelik Anonim Şirketi (a Turkish corporation - “Arçelik” or “the Company”) and its subsidiaries (collectively, “the Group”) undertake all commercial and industrial activities in respect of the production, sales and marketing, customer services after sales, exportation and importation of consumer durable goods and consumer electronics. The Group operates eleven manufacturing plants in Turkey, Romania, Russia and China. The Company is a member of the Koç Group, which holds a majority stake in the Company (Note 18).

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

The Company is registered to the Capital Markets Board (“CMB”) and its shares have been quoted on the Istanbul Stock Exchange (“ISE”) since 1986. At September 30, 2010, the publicly quoted shares are 23.26% of the total shares.

The average number of employees of the Group as of September 30, 2010 is 17,727 (December 31, 2009: 16,775).

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

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

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

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

(*) Inactive as of balance sheet date.

(**) As of June 30, 2010, the title of Beko S.A has been changed as Beko France S.A.S.

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

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

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

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

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

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

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

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

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

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

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

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

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

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

IFRIC 17 ‘Distributions of Non-cash Assets to Owners’,

Improvements to International Financial Reporting Standards (issued 2008),

Improvements to International Financial Reporting Standards (issued 2009).

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

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

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

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

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

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

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

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

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

IFRS Amendments (issued in May 2010):

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

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

IFRS 1: Accounting policy changes in the year of adoption

IFRS 1: Revaluation basis as deemed cost

IFRS 1: Use of deemed cost for operations subject to rate regulation

IFRS 3: Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised standard

IFRS 3: Measurement of non-controlling interests

IFRS 3: Un-replaced and voluntarily replaced share-based payment awards

IAS 1: Clarification of statement of changes in equity

IAS 27: Transition requirements for amendments arising as a result of IAS 27 Consolidated and Separate Financial Statements

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

IFRS 7: Clarification of disclosures

IAS 34: Significant events and transactions

IFRIC 13: Fair value of award credits.

Functional and presentation currency

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

Financial statements of foreign subsidiaries

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

Consolidation Principles

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

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

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

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

	<u>September 30, 2010</u>		<u>December 31, 2009</u>	
	<u>Ownership interest</u>	<u>Economic interest</u>	<u>Ownership interest</u>	<u>Economic interest</u>
Archin Limited	100.00	100.00	100.00	100.00
Arçic	96.71	96.71	96.68	96.68
Arctic Pro	100.00	100.00	100.00	100.00
Ardutch	100.00	100.00	100.00	100.00
Bekodutch	100.00	100.00	100.00	100.00
Beko Cesko	100.00	100.00	100.00	100.00
Beko China	100.00	100.00	100.00	100.00
Beko Czech	100.00	100.00	100.00	100.00
Beko Deutschland	100.00	100.00	100.00	100.00
Beko Elektronik Russia	100.00	100.00	100.00	100.00
Beko Espana	100.00	100.00	99.97	99.97
Beko France	100.00	100.00	99.96	99.96
Beko Hungary	100.00	100.00	100.00	100.00
Beko Italy	100.00	100.00	100.00	100.00
Beko Magyarorszag	100.00	100.00	100.00	100.00
Beko Polska	100.00	100.00	100.00	100.00
Beko Russia	100.00	100.00	100.00	100.00
Beko Slovakia	100.00	100.00	100.00	100.00
Beko Shanghai	100.00	100.00	100.00	100.00
Beko UK	50.00	50.00	50.00	50.00
Blomberg Vertrieb	100.00	100.00	100.00	100.00
Blomberg Werke	100.00	100.00	100.00	100.00
Elektra Bregenz	100.00	100.00	100.00	100.00
Fusion Digital (*)	-	-	100.00	100.00
Grundig Multimedia	100.00	100.00	100.00	100.00
Grundig Austria	100.00	100.00	100.00	100.00
Grundig Benelux	100.00	100.00	100.00	100.00
Grundig Czech Republic	100.00	100.00	100.00	100.00
Grundig Denmark	100.00	100.00	100.00	100.00
Grundig Espana	100.00	100.00	100.00	100.00
Grundig Finland	100.00	100.00	100.00	100.00
Grundig Intermedia	100.00	100.00	100.00	100.00
Grundig Italy	100.00	100.00	100.00	100.00
Grundig Hungary	100.00	100.00	100.00	100.00
Grundig Norway	100.00	100.00	100.00	100.00
Grundig Portugal	100.00	100.00	100.00	100.00
Grundig Polska	100.00	100.00	100.00	100.00
Grundig Slovakia	100.00	100.00	100.00	100.00
Grundig Sweden	100.00	100.00	100.00	100.00
Grundig Switzerland	100.00	100.00	100.00	100.00
Raupach	100.00	100.00	100.00	100.00

(*) Fusion Digital was dissolved at August 10, 2010.

Going Concern

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

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

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

Offsetting

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

Comparatives and Restatement of Prior Periods’ Financial Statements

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

Arçelik Group recognises shipping and handling charges under sales discounts when these charges are collected from customers on behalf of the shipper in export sales invoiced on a Cost, Insurance and Freight (“CIF”) basis and do not result in an increase in the economic benefit received by the Group. In the case that such export sales on a CIF basis take place as an intra-group transaction among the Group companies, which are included within the scope of consolidation, shipping and handling charges arising from the relocation of inventories in the Group and which were recognised under sales discounts in previous periods, are recognised in the current period under sales and marketing expenses to provide a better reflection of the economic nature of the transaction. As a result of this reclassification, there has been an increase of TRY 58,948 in the Group’s consolidated net sales income and sales and marketing expenses for the period ended September 30, 2010.

2.2 Changes and Errors in the Accounting Policies and Estimates

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

2.3 Summary of Significant Accounting Policies

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

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

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

2.3.1 Derivative Financial Instruments

Derivative financial instruments are initially recognised at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges.

Derivatives Held for Trading

The Group uses trading derivatives such as forward currency contracts and foreign currency swaps. Although these derivative instruments hedge the foreign currency risk, the Group designates these derivatives as held for trading since they do not meet the criteria for hedge accounting. Any gains or losses arising from changes in fair value on these derivatives are taken directly to the consolidated income statement.

Derivative Financial Instruments Held for Hedging

Cash Flow Hedge

The Group designated commodity swap agreements as a cash flow hedge against to any gains or losses arising from cash flow risk of potential transactions in the future, which may affect income statement.

The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the cash flow hedge reserve. Where the forecasted transaction or firm commitment results in the recognition of an asset or a liability, the gains and losses previously booked under equity are transferred from equity and included in the initial measurement of the cost of acquisition of the asset or liability. Otherwise, amounts accounted for under equity are transferred to the consolidated statement of income and classified as income or expense in the period in which the hedged item affects the statement of income.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

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

Foreign Currency Hedge of Net Investments in Foreign Operations

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

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

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

2.4 Critical Accounting Estimates and Judgements

The preparation of condensed interim consolidated financial statements requires estimates and assumptions to be made which may affect the amounts of the assets and liabilities reported at the balance sheet date, and explanations for the contingent assets and liabilities as well as the amounts of income and expenses realised in the reporting period. The Group makes accounting estimates and assumptions concerning experiences from past periods and anticipation for future. The accounting estimates and assumptions, by definition, may not be equal the related actual results. Accounting estimates and assumptions used in preparation of condensed interim consolidated financial statements are consistent with assumptions and estimates used in financial statements as of December 31, 2009.

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

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

NOTE 3 - BUSINESS COMBINATIONS

There has been no business combination in the period.

Business combinations in 2009

As of June 30, 2009 Grundig Elektronik A.Ş. (“Grundig Elektronik”), a subsidiary of the Group, merged with Arçelik A.Ş., the parent company of the Group.

On May 27, 2009, the Company management obtained authorisation from the CMB to execute the transactions to merge Grundig Elektronik into the Company through the transfer of all its assets and liabilities to the Company in accordance with the related articles of Turkish Commercial Code, Corporate Tax Laws and CMB Legislation based on the financial statements as of December 31, 2008 prepared in accordance with CMB Financial Reporting Standards As a result of the merger decision taken at the Extraordinary General Assembly meeting held on June 29, 2009, Grundig Elektronik was dissolved on June 30, 2009 and, at the same date, the merger of Arçelik and Grundig Elektronik was realised. The pre-merger issued capital of Arçelik, which was TRY 659,934, increased to TRY 675,728 with an increase of TRY 15,794 as a result of the merger. This increased capital, registered as of June 30, 2009, was covered by restricting the rights of current Arçelik shareholders to buy new shares and by the equity capital acquired from Grundig Elektronik. The exchange transactions carried out through a share swap of 0.1947 Arçelik shares for each Grundig Elektronik share began on July 10, 2009; Grundig Elektronik was delisted from the Istanbul Stock Exchange as of the same date.

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

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

NOTE 4 - SEGMENT REPORTING

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

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

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

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

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

	White Goods	Consumer Electronics	Other	Total
Total segment revenue	3,170,715	819,961	1,109,832	5,100,508
Gross profit	1,195,238	175,707	186,001	1,556,946
Depreciation and amortisation	106,419	33,460	5,956	145,835
Capital expenditures	113,680	24,956	1,123	139,759
Income from associates (net)	-	-	12,061	12,061

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

	White goods	Consumer electronics	Other	Total
Total segment revenue	3,081,269	845,659	932,734	4,859,662
Gross profit	1,259,906	178,111	159,559	1,597,576
Depreciation and amortisation	100,588	36,497	6,192	143,277
Capital expenditures	95,518	27,248	1,762	124,528
Income from associates (net)	-	-	6,241	6,241

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

	White goods	Customer electronics	Other	Total
Total segment revenue	1,186,950	235,390	424,387	1,846,727
Gross profit	436,524	48,724	68,712	553,960
Depreciation and amortisation	35,853	10,847	2,105	48,805
Capital expenditures	52,999	5,513	422	58,934
Income from associates (net)	-	-	6,944	6,944

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

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

NOTE 4 - SEGMENT REPORTING (Continued)

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

	White goods	Customer electronics	Other	Total
Total segment revenue	1,244,166	250,257	277,734	1,772,157
Gross profit	558,704	48,083	44,982	651,769
Depreciation and amortisation	36,367	13,760	2,456	52,583
Capital expenditures	31,648	11,946	876	44,470
Income from associates (net)	-	-	510	510

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

30 September 2010	Turkey	Europe	Other	Total
Total segment revenue	2,586,120	1,858,884	655,504	5,100,508
Income from associates (net)	12,061	-	-	12,061
30 September 2009	Turkey	Europe	Other	Total
Total segment revenue	2,417,658	1,847,776	594,228	4,859,662
Income from associates (net)	6,241	-	-	6,241

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

July 1 – September 30, 2010	Turkey	Europe	Other	Total
Total segment revenue	973,630	643,196	229,901	1,846,727
Income from associates (net)	6,944	-	-	6,944
July 1 – September 30, 2009	Turkey	Europe	Other	Total
Total segment revenue	885,605	687,835	198,717	1,772,157
Income from associates (net)	510	-	-	510

NOTE 5 - CASH AND CASH EQUIVALENTS

	September 30, 2010	December 31, 2009
Cash in hand	256	268
Cash at banks		
- demand deposits	45,910	44,806
- time deposits	786,238	816,637
Cheques and notes	27,112	37,646
Other	899	776
Cash and cash equivalents per cash flow statements	860,415	900,133
Interest income accrual	1,577	4,601
	861,992	904,734

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

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

NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)

The maturities of cash and cash equivalents are as follows:

	September 30, 2010	December 31, 2009
Up-to 30 days	620,805	692,983
30-90 days	241,187	211,751
	861,992	904,734

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

TRY	9.17	9.70
USD	1.17	0.54
EUR	1.71	0.28
RON	3.61	7.45
GBP	0.27	0.19

NOTE 6 – FINANCIAL INVESTMENTS

Non-current financial investments

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

	2010	2009
Balance as of January 1	395,814	540,182
Changes in fair value	131,432	32,371
Disposal of available-for-sale investment – fair value reserve	-	(128,029)
Disposal of available-for-sale investment – carrying value	-	(138,766)
Balance as of September 30	527,246	305,758

NOTE 7 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	September 30, 2010	December 31, 2009
Short-term bank borrowings	471,866	332,398
Current portion of long-term bank borrowings	266,816	1,590,798
Other	412	531
	739,094	1,923,727

Short-term bank borrowings:

TRY loans	-	9,612
Foreign currency loans	471,866	322,786
	471,866	332,398

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

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

NOTE 7 - FINANCIAL LIABILITIES (Continued)

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

	September 30, 2010	December 31, 2009
TRY loans	-	-
Foreign currency loans	2.18	3.16

b) Long-term financial liabilities

	September 30, 2010	December 31, 2009
Long-term bank borrowings	1,081,998	187,946
Other	108	368
	1,082,106	188,314

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

Currency	Effective interest rate (%)	Original currency	TRY amount
TRY	8,30	503,667,264	503,667
EUR	2,46	346,280,709	684,042
RUB	5,76	953,251,598	45,146
GBP	2,86	50,555,504	115,959
			1,348,814
Less: Current maturities			(266,816)
			1,081,998

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

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

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

	September 30, 2010	December 31, 2009
2011	39,310	151,941
2012	480,463	36,005
2013	562,225	-
	1,081,998	187,946

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

	September 30, 2010	December 31, 2009
Up to 6 months	1,708,534	2,092,105
6 - 12 months	72,818	19,037
1-5 years	39,328	-
	1,820,680	2,111,142

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

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

NOTE 8 – DERIVATIVE FINANCIAL INSTRUMENTS

	September 30, 2010			December 31, 2009		
	Contract value	Fair value Asset	Fair value (Liability)	Contract value	Fair Value value	Asset
Held for trading:						
Forward transactions	269,813	3,102	(41)	433,446	4,204	(643)
Foreign currency swap contracts	-	-	-	100,265	240	(55)
Held for hedging:						
Commodity swap contracts	3,028	571	-	-	-	-
	272,841	3,673	(41)	4,444		(698)

NOTE 9 - TRADE RECEIVABLES AND PAYABLES

	September 30, 2010	December 31, 2009
Short-term trade receivables:		
Trade receivables	1,414,977	1,276,876
Notes receivables	949,032	962,125
Cheques receivables	160,317	130,490
Due from related parties (Note 24)	67,559	26,217
	2,591,885	2,395,708
Less: Provision for doubtful receivables	(105,224)	(107,312)
Less: Unearned credit finance income	(65,409)	(55,385)
Short-term trade receivables (net)	2,421,252	2,233,011

Movements in the provision for doubtful receivables are as follows:

	2010	2009
Balance as of January 1	107,312	94,625
Current period additions	10,137	9,012
Collection of doubtful receivables	(5,323)	(3,633)
Doubtful receivables written off as uncollectible	(2,316)	(3,773)
Currency translation differences	(4,586)	(247)
Balance as of September 30	105,224	95,984

	September 30, 2010	December 31, 2009
Long-term trade receivables:		
Trade receivables	10,132	4,254
	10,132	4,254

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

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

NOTE 9 - TRADE RECEIVABLES AND PAYABLES (Continued)

	September 30, 2010	December 31, 2009
Short-term trade payables:		
Trade payables	610,144	655,439
Due to related parties (Note 24)	237,241	111,429
Unearned credit finance charges	(4,509)	(4,466)
	842,876	762,402

	September 30, 2010	December 31, 2009
Long-term trade payables:		
Due to related parties (Note 24)	61,092	67,380
	61,092	67,380

NOTE 10 – INVENTORIES

	September 30, 2010	December 31, 2009
Raw materials and supplies	518,744	520,057
Work in progress	38,122	33,859
Finished goods	364,140	327,956
Trade goods	97,045	123,253
	1,018,051	1,005,125
Less: Provision for impairment on inventories	(75,440)	(98,339)
	942,611	906,786

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

	September 30, 2010	December 31, 2009
Raw materials and supplies	65,776	67,894
Finished goods	8,777	14,532
Trade goods	887	15,913
	75,440	98,339

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

	2010	2009
Balance as of January 1	98,339	48,106
Current period additions	4,660	25,990
Realised due to sales of inventory	(25,085)	(12,092)
Currency translation differences	(2,474)	308
Balance as of September 30	75,440	62,312

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

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

NOTE 11 - ASSOCIATES

	September 30, 2010		December 31, 2009	
	%	TRY	%	TRY
Koç Tüketici Finansmanı A.Ş.	47,0	62,228	47,0	59,592
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	45,0	60,365	45,0	57,926
Ram Dış Ticaret A.Ş.	33,5	9,433	33,5	7,583
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	32,0	4,732	32,0	4,068
		136,758		129,169
		2010		2009
As of January 1		129,169		123,602
Income from associates (net)		12,061		6,241
Dividend received from associates		(4,472)		-
As of September 30		136,758		129,843

Income from associates

	January 1- September 30, 2010	January 1- September 30, 2009	July 1- September 30, 2010	July 1- September 30, 2009
Koç Tüketici Finansmanı A.Ş.	6,395	(730)	2,719	1,222
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	2,438	3,139	2,766	(1,448)
Ram Dış Ticaret A.Ş.	2,563	2,158	1,607	748
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	665	1,674	(148)	(12)
	12,061	6,241	6,944	510

Summary financial data of associates are as follows:

	September 30, 2010	December 31, 2009
Total assets	1,560,796	1,385,635
Total liabilities	1,251,303	1,094,769
	September 30, 2010	September 30, 2009
Total sales revenue	905,997	867,841
Net income for the period	28,807	17,096

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

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NOTE 12 – INVESTMENT PROPERTIES

	2010	2009
As of January 1		
Cost	12,711	12,123
Accumulated depreciation	(6,367)	(3,335)
Net book value	6,344	8,788
Net book value at the beginning of the period	6,344	8,788
Disposals	(412)	-
Currency translation differences	(534)	81
Current period depreciation	(93)	(1)
Net book value at the end of the period	5,305	8,868
As of September 30		
Cost	10,912	12,261
Accumulated depreciation	(5,607)	(3,393)
Net book value at the end of the period	5,305	8,868

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

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

	2010	2009
As of January 1		
Cost	3,332,557	3,304,201
Accumulated depreciation	(2,088,448)	(2,031,868)
Net book value	1,244,109	1,272,333
Net book value at the beginning of the period	1,244,109	1,272,333
Additions	90,843	77,031
Disposals	(14,995)	(3,470)
Currency translation differences	(16,589)	(12,140)
Current period depreciation	(117,413)	(113,549)
Net book value at the end of the period	1,185,955	1,220,205
As of September 30		
Cost	3,332,805	3,314,619
Accumulated depreciation	(2,146,850)	(2,094,414)
Net book value	1,185,955	1,220,205

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

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

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NOTE 14 - INTANGIBLE ASSETS

	2010	2009
As of January 1		
Cost	539,682	473,977
Accumulated amortisation	(99,689)	(71,762)
Net book value	439,993	402,215
Net book value at the beginning of the period	439,993	402,215
Additions	48,916	47,497
Disposals	(50)	(184)
Currency translation differences	(17,520)	2,323
Current period amortisation	(28,329)	(29,728)
Net book value at the end of the period	443,010	422,123
As of September 30		
Cost	569,516	523,613
Accumulated amortisation	(126,506)	(101,490)
Net book value	443,010	422,123

Net carrying value of the development costs as of September 30, 2010 is TRY 153,457 (December 31, 2009: TRY 130,939), and capitalized development costs in the period is TRY 44,580 (September 30, 2009: TRY 45,483).

NOTE 15 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Commitments and contingent liabilities are as follows:

	September 30, 2010	December 31, 2009
Operational lease commitments	5,525	10,192

The Company has export commitments of USD 819,435,488 related to export incentives certificate as of September 30, 2010 (December 31, 2009: USD 898,827,150).

Derivative Financial Instruments

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

September 30, 2010

	Forward exchange purchase commitment	Forward exchange sales commitment
EUR	132,959	3,608
USD	-	63,036
GBP	-	45,874
PLN	-	10,900
RUB	3,552	8,051
ROL	-	1,834
	136,511	133,303

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

December 31, 2009

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

Commitments, contingent assets and liabilities are as follows:

	September 30, 2010	December 31, 2009
Collaterals obtained	1,869,186	1,812,962

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

Collaterals, Pledges, Mortgages (“CPM”) given by the Company	September 30, 2010	December 31, 2009
A.CPMs given for companies’ own legal personality	103,771	89,724
B. CPMs given on behalf of fully consolidated subsidiaries	11,082	216
C.CPMs given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPMs		
i) Total amount of CPMs given on behalf of the majority shareholder	-	-
ii) Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C.	-	-
iii) Total amount of CPMs given on behalf of third parties which are not in scope of C.	-	-
D. Total amount of other CPMs	-	-
Total	114,853	89,940

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NOTE 16 - PROVISIONS

	September 30, 2010	December 31, 2009
Short-term provisions:		
Warranty provision	116,409	109,543
Assembly provision	33,292	36,226
Provision for cost and expenses	10,491	10,239
Provision for transportation costs	8,609	6,298
Other	32,507	42,353
	201,308	204,659
Long-term provisions:		
Warranty provision	54,688	58,603
Other	1,290	2,158
	55,978	60,761

NOTE 17 - OTHER ASSETS AND LIABILITIES

	September 30, 2010	December 31, 2009
Other current assets:		
Prepaid expenses	23,484	10,541
Value added tax and private consumption tax receivables	21,187	15,823
Taxes and funds deductible	16,722	36,579
Prepaid taxes and funds	11,882	26,842
Advances given for inventories	7,565	3,651
Assets held for sale	5,288	3,628
Other order advances given	4,820	2,765
Other	10,211	9,151
	101,159	108,980
Other current liabilities:		
Accruals for customer premiums	101,891	62,873
Accruals for sales and marketing expenses	28,845	18,121
Advances received	26,950	61,076
Accruals for bonuses and premiums	14,235	1,258
Accruals for licence fee expenses	13,377	15,228
Accruals for advertising expenses	11,042	6,383
Liabilities attributable to the acquisition	1,664	1,817
Other	5,728	2,532
	203,732	169,288

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

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

NOTE 17 - OTHER ASSETS AND LIABILITIES (Continued)

	September 30, 2010	December 31, 2009
Other non-current liabilities:		
Liabilities attributable to the acquisition	1,589	3,557
Other	5,984	2,944
	7,573	6,501

NOTE 18 - EQUITY

Paid-in capital

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

	September 30, 2010	December 31, 2009
Limit on registered share capital	1,500,000	1,500,000
Issued share capital in nominal value	675,728	675,728

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

The shareholding structures of the Company are as follows:

	September 30, 2010		December 31, 2009	
	Share %	Amount	Share %	Amount
<u>Shareholders</u>				
Koç Holding A.Ş.	40.51	273,742	40.51	273,742
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A.Ş.	12.05	81,428	12.05	81,428
Koç Family	8.67	58,591	8.67	58,591
Burla Ticaret ve Yatırım A.Ş.	7.48	50,572	7.48	50,572
Koç Holding Emekli ve Yardım Sandığı Vakfı	5.14	34,722	5.14	34,722
Other	26.15	176,673	26.15	176,673
Paid-in share capital	100.00	675,728	100.00	675,728
Adjustment to share capital (*)		468,811		468,811
Total share capital		1,144,539		1,144,539

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

Contribution to shareholders’ equity due to the merger

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

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

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NOTE 18 –EQUITY (Continued)

Revaluation Funds

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

	September 30, 2010	December 31, 2009
Financial assets fair value reserve	362,849	237,989
Non-current assets fair value reserve	26,898	45,569
Financial hedge fund	(4,121)	-
Total revaluation funds	385,626	283,558

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

Restricted Reserves

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

The details of these restricted reserves are as follows:

	September 30, 2010	December 31, 2009
Legal reserves	168,321	161,700
Special reserves	124	124
	168,445	161,824

The Company paid a cash dividend at the rate of 14.8%, which corresponds to TRY 0.14799 (full) gross and net cash dividend for the shares with a nominal value of TRY 1.00 (full) to institutional shareholders who are full taxpayers or limited liable taxpayers and obtain dividends through a business or permanent representative in Turkey. The Company paid also a cash dividend at the rate of 14.8%, which corresponds to TRY 0.14799 (full) gross and TRY 0.13459 (full) net cash dividend for the shares with a nominal value of TRY 1.00 (full) to other shareholders.

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NOTE 19 - OTHER INCOME AND EXPENSES

	January 1- September 30, 2010	January 1- September 30, 2009	July 1- September 30, 2010	July 1- September 30, 2009
Other income:				
Gain on sales of tangible and intangible assets (*)	41,409	1,902	941	131
Income from claims and grants	31,023	13,651	14,873	6,084
Reversal of other provisions	4,392	5,891	1,884	898
Reversal of provisions for doubtful receivables	5,323	3,633	1,238	49
Income from sale of financial asset	-	128,032	-	11,730
Other	8,159	32,769	965	22,633
	90,306	185,878	19,901	41,525
Other expenses:				
Provision expense for doubtful receivables	(10,137)	(9,012)	(3,803)	(3,893)
Provision expense for impairment on inventories	(4,660)	(25,101)	(391)	(19,176)
Loss from sales of tangible and intangible assets	(4,166)	(3,158)	(345)	(752)
Other	(19,365)	(21,806)	(12,970)	(19,135)
	(38,328)	(59,077)	(17,509)	(42,956)

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

NOTE 20 - FINANCIAL INCOME

	January 1- September 30, 2010	January 1- September 30, 2009	July 1- September 30, 2010	July 1- September 30, 2009
Foreign exchange gains	101,603	230,208	10,748	37,439
Credit finance income	60,706	81,108	24,816	18,382
Interest income	29,794	28,633	9,968	12,705
Foreign currency forward income	26,787	25,953	8,507	3,563
Other	80	1,331	23	242
	218,970	367,233	54,062	72,331

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NOTE 21 - FINANCIAL EXPENSES

	January 1- September 30, 2010	January 1- September 30, 2009	July 1- September 30, 2010	July 1- September 30, 2009
Foreign exchange losses	(96,746)	(225,900)	(12,702)	(45,792)
Interest expenses	(80,879)	(251,076)	(23,996)	(48,191)
Credit finance charges	(17,395)	(14,544)	(7,605)	(4,249)
Foreign currency forward expenses	(10,474)	(30,483)	(2,522)	(609)
Cash discounts expenses	(9,358)	(14,950)	(2,642)	(3,847)
Other	(3,282)	(2,983)	(1,067)	(393)
	(218,134)	(539,936)	(50,534)	(103,081)

NOTE 22 - TAX ASSETS AND LIABILITIES

	September 30, 2010	December 31, 2009
Corporation and income taxes	68,363	45,961
Less: prepaid tax	(50,753)	(31,605)
Taxes payable (net)	17,610	14,356
Deferred tax assets	37,670	41,509
Deferred tax liabilities	(118,361)	(95,201)
Deferred tax liabilities (net)	(80,691)	(53,692)

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

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

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

	January 1- September 30, 2010	January 1- September 30, 2009	July 1- September 30, 2010	July 1- September 30, 2009
Taxes on income				
- Current period tax expense	(70,582)	(82,697)	(13,396)	(70,728)
- Deferred tax income/expense	(22,789)	38,928	(21,752)	164
Taxes on income (net)	(93,371)	(43,769)	(35,148)	(70,564)

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

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NOTE 22 - TAX ASSETS AND LIABILITIES (Continued)

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

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

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

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	September 30, 2010	December 31, 2009	September 30, 2010	December 31, 2009
Property, plant and equipment and intangible assets	735,554	705,615	(153,885)	(147,445)
Available-for-sale investments	381,948	250,516	(19,097)	(12,526)
Derivative financial instruments	3,632	3,755	(726)	(751)
Unused tax credits	(88,360)	(172,610)	17,673	34,969
Provision for warranty and assembly expenses	(150,632)	(145,926)	29,834	28,867
Provision for employment termination benefits	(89,982)	(83,092)	17,996	16,618
Provision for impairment on inventories	(68,700)	(68,099)	13,725	13,587
Provision for doubtful receivables	(6,888)	(976)	1,232	195
Accrual for licenses expenses	(13,377)	(15,228)	2,675	3,046
Unearned credit finance income/expense (net)	(20,603)	(15,207)	4,090	2,281
Other	(27,733)	(29,774)	5,792	7,467
Deferred tax liabilities (net)			(80,691)	(53,692)
			2010	2009
As of January 1			(53,692)	(25,593)
Charged to the income statement			(22,789)	38,928
Charged to the shareholders’ equity			(6,413)	5,131
Currency translation differences			2,203	(1,488)
As of September 30			(80,691)	16,978

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

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NOTE 23 - EARNINGS PER SHARE

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

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

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

	January 1- September 30, 2010	January 1- September 30, 2009	July 1- September 30, 2010	July 1- September 30, 2009
Net income attribute to the equity holders of the parent	418,610	410,338	148,137	152,714
Weighted average number of ordinary shares with nominal value(Kr each one)	67,572,820,500	52,203,966,667	67,572,820,500	67,572,820,500
Earnings per share (kr)	0.619	0.786	0.219	0.226

NOTE 24 – RELATED PARTY DISCLOSURES

(i) Balances with related parties

(a) Due from related parties

	September 30, 2010	December 31, 2009
Group companies (*)	55,483	11,699
Associates	12,076	14,518
	67,559	26,217

(b) Due to related parties

Short term payables:

Group companies (*)	67,698	59,707
Associates	167,715	51,722
Shareholders	1,828	-
	237,241	111,429

Long term payables::

Group companies (*)	61,092	67,380
	61,092	67,380

(c) Deposits

Group companies (*)	221,205	54,962
	221,205	54,962

(d) Bank borrowings

Group companies (*)	210,553	65,558
	210,553	65,558

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NOTE 24 - RELATED PARTY DISCLOSURES (Continued)

e) Derivative financial instruments

September 30, 2010	Contract	Fair value	
	Amount	Assets/(Liabilities)	
Group companies (*)	90,751	1,337	-
	90,751	1,337	-

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

(ii) Transactions with related parties

(a) Sales of goods and services

	January 1- September 30, 2010	January 1- September 30, 2009	July 1- September 30, 2010	July 1- September 30, 2009
Group companies (*)	116,116	114,078	43,267	55,216
Associates	26,295	28,882	17,246	18,843
Shareholders	53	-	53	-
	142,464	142,960	60,566	74,059

(b) Purchases of goods and services

	January 1- September 30, 2010	January 1- September 30, 2009	July 1- September 30, 2010	July 1- September 30, 2009
Group companies (*)	363,633	225,634	162,189	102,033
Associates	248,629	200,157	111,570	56,859
Shareholders	7,057	7,191	2,325	2,169
	619,319	432,982	276,084	161,061

(c) Key management compensation

Total compensation provided to key management personnel by the Company during the period ended September 30, 2010 amounts to TRY 9,444 (September 30, 2009: TRY 4,733).

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NOTE 24 - RELATED PARTY DISCLOSURES (Continued)

(g) Other transactions

	January 1- September 30, 2010	January 1- September 30, 2009	July 1- September 30, 2010	July 1- September 30, 2009
Dividends paid **	100,000	2,542	-	2,355
Gain on sale of tangible assets	40,055	-	-	-
Interest expense	3,657	11,723	1,072	1,916
Interest income	5,772	2,965	2,255	461

(*) Group companies include Koç group companies.

(**) Dividend that would be distributed as bonus shares in the period ended September 30, 2009, was added to share capital in the following period.

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

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

Hedging operations and derivative financial instruments

Commodity Price risk

The Group regularly purchases raw materials to be used in production activities. Price risks related to the raw material purchases are hedged primarily by the use of contracts with the suppliers and when deemed necessary by the use of derivative financial instruments contracts. Use of such contracts, designed in line with the Group risk policies, aims to reduce the volatility in cash outflows in the forecasted raw material purchases due to commodity price risk fluctuations in the market.

Credit risk

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

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

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

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

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

Regarding banks, the ratings of the independent rating institutions are taken into consideration

Same credit risk management principles are used for the management of the financial assets. Investments are made to instruments with highest liquidity and credit note of the company of transaction is taken into consideration.

Details of credit and receivable risk as of September 30, 2010 and December 31, 2009 are as follows:

September 30, 2010	Trade Receivables		Deposits in Banks
	Related Party	Third Party	
Maximum exposed credit risk as of reporting date(1)	67,559	2,363,825	833,725
Secured portion of the maximum credit risk by guarantees, etc.	-	(1,696,189)	-
A. Net book value of financial assets either are not due or not impaired	67,559	2,132,044	833,725
- Secured portion by guarantees, etc	-	(1,490,903)	-
B. Financial assets with renegotiated conditions	-	27,650	-
- Secured portion by guarantees, etc	-	(25,676)	-
C. Net book value of the expired but not impaired financial assets	-	161,468	-
- Secured portion by guarantees, etc.	-	(136,947)	-
D. Net book value of the impaired assets	-	42,663	-
- Overdue (Gross book value)	-	147,887	-
- Impairment	-	(105,224)	-
- Secured portion of the net value by guarantees, etc.	-	(42,663)	-

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

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

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

December 31, 2009	Trade Receivables		Deposits
	Related Party	Third Party	in Banks
Maximum exposed credit risk as of reporting date(1)	26,217	2,211,048	877,100
Secured portion of the maximum credit risk by guarantees, etc.	-	(1,492,859)	-
A. Net book value of financial assets either are not due or not impaired	26,217	1,952,229	877,100
- Secured portion by guarantees, etc	-	(1,286,628)	-
B. Financial assets with renegotiated conditions	-	99,564	-
- Secured portion by guarantees, etc	-	(99,564)	-
C. Net book value of the expired but not impaired financial assets	-	121,477	-
- Secured portion by guarantees, etc.	-	(73,139)	-
D. Net book value of the impaired assets	-	37,778	-
- Overdue (Gross book value)	-	143,630	-
- Not Overdue (Gross book value)	-	1,460	-
- Impairment	-	(107,312)	-
- Secured portion of the net value by guarantees, etc.	-	(33,528)	-

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

a) Credit quality of financial assets which are neither due nor impaired and financial assets with renegotiated conditions

	September 30, 2010	December 31, 2009
Group 1	8,770	9,284
Group 2	2,072,203	1,905,978
Group 3	146,280	162,748
	2,227,253	2,078,010

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

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

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

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

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

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

	September 30, 2010	December 31, 2009
0-1 month	83,116	42,267
1-3 months	25,164	23,133
3-12 months	20,802	43,949
1-5 years	32,386	12,128
	161,468	121,477

Foreign exchange risk

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

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

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

The Group is exposed to foreign exchange rate risk mainly for EUR, USD, GBP, RON, RUB and PLN.

Foreign currency hedge of net investments in a foreign operation

The Group designated some portion of the Euro dominated bank loans as a hedging instrument in order to hedge the foreign currency risk arisen from the conversion of some investments operating in Europe of the Group to TRY. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income in the currency translation difference reserve in order to net off the foreign currency difference arisen from the conversion of the net assets of investments in foreign operations.

Foreign currency position

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

	September 30, 2010	December 31, 2009
Assets	1,169,969	1,098,051
Liabilities	(1,324,022)	(986,664)
Net balance sheet position	(154,053)	111,387
Net position of off-balance sheet derivative financial instruments	141,486	(107,666)
Net foreign currency position	(12,567)	3,721

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

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

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

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

	EUR	USD	GBP	RUB	PLN	RON	AED	Total TRY Equivalent
Current Assets								
Trade receivables	279,077	135,468	78,563	654,074	33,567	4,848	1,499	978,505
Monetary financial assets	72,354	5,171	3	17,707	2,934	947	-	153,166
Other	9,890	12,928	-	-	-	-	-	38,298
Total assets	361,321	153,567	78,566	671,781	36,501	5,795	1,499	1,169,969
Current liabilities								
Trade payables	89,936	68,412	469	-	-	-	-	278,016
Financial liabilities	189,465	-	555	-	-	-	-	375,542
Other monetary financial liabilities	6,380	7,858	728	-	-	-	-	25,677
Non-current liabilities								
Trade payables	-	42,098	-	-	-	-	-	61,092
Financial liabilities	236,622	-	50,000	-	-	-	-	582,108
Other monetary financial liabilities	-	-	692	-	-	-	-	1,587
Total liabilities	522,403	118,368	52,444	-	-	-	-	1,324,022
Net balance sheet position	(161,082)	35,199	26,122	671,781	36,501	5,795	1,499	(154,053)
Off-balance sheet foreign currency derivative financial assets	137,307	-	-	75,000	-	-	-	274,788
Off-balance sheet foreign currency derivative financial liabilities	(1,826)	(43,437)	(20,000)	(170,000)	(22,000)	(4,000)	-	(133,302)
Net position of foreign currency off-balance sheet items	135,481	(43,437)	(20,000)	(95,000)	(22,000)	(4,000)	-	141,486
Net foreign currency asset/ (liability) position	(25,601)	(8,238)	6,122	576,781	14,501	1,795	1,499	(12,567)
Monetary items net foreign currency assets/ (liabilities) position	(170,972)	22,271	26,814	671,781	36,501	5,795	1,499	(190,764)

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

Against TRY	(18,417)	3,828	2,668	576,781	14,477	1,795	1,499	11,201
Against EUR	-	503	-	-	24	-	-	742
Against RUB	1,860	(5,225)	-	-	-	-	-	(3,909)
Against PLN	(2,199)	5	-	-	-	-	-	(4,337)
Against GBP	2,886	-	-	-	-	-	-	5,701
Against other currencies	(9,731)	(7,349)	3,454	-	-	-	-	(21,965)
	(25,601)	(8,238)	6,122	576,781	14,501	1,795	1,499	(12,567)

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

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

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

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

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

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

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

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

	Gain/Loss		Equity	
	Foreign Exchange Appreciation	Foreign Exchange Depreciation	Foreign Exchange Appreciation	
+/-10% fluctuation of USD rate				
USD net asset/liability	5,108	(5,108)	5,108	(5,108)
Secured portion from USD risk (*)	(6,304)	6,304	(6,304)	6,304
USD net effect	(1,196)	1,196	(1,196)	1,196
+/-10% fluctuation of EUR rate				
EUR net asset/liability	(31,820)	31,820	(21,527)	21,527
Secured portion from EUR risk (*)	26,763	(26,763)	26,763	(26,763)
EUR net effect	(5,057)	5,057	5,236	(5,236)
+/-10% fluctuation of GBP rate				
GBP net asset/liability	5,992	(5,992)	15,764	(15,764)
Secured portion from GBP risk (*)	(4,587)	4,587	(4,587)	4,587
GBP net effect	1,405	(1,405)	11,177	(11,177)
+/-10% fluctuation of RUB rate				
RUB net asset/liability	3,182	(3,182)	15,246	(15,246)
Secured portion from RUB risk (*)	(450)	450	(450)	450
RUB net effect	2,732	(2,732)	14,796	(14,796)
+/-10% fluctuation of RON rate				
RON net asset/liability	266	(266)	20,202	(20,202)
Secured portion from RON risk (*)	(183)	183	(183)	183
RON net effect	83	(83)	20,019	(20,019)
+/-10% fluctuation of PLN rate				
PLN net asset/liability	1,808	(1,808)	3,273	(3,273)
Secured portion from PLN risk (*)	(1,090)	1,090	(1,090)	1,090
PLN net effect	718	(718)	2,183	(2,183)
+/-10% fluctuation of United Arab Emirates				
Dirham (“AED”) rate				
AED net asset/liability	60	(60)	60	(60)
Secured portion from AED risk (*)	-	-	-	-
AED net effect	60	(60)	60	(60)
	(1,255)	1,255	52,275	(52,275)

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

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

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

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

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

	Effect Gain/Loss		Equity	
	Foreign Exchange		Foreign Exchange	
	Appreciation	Depreciation	Appreciation	Depreciation
+/-10% fluctuation of USD rate				
USD net asset/liability	(6,913)	6,913	(6,913)	6,913
Secured portion from USD risk (*)	3,930	(3,930)	3,930	(3,930)
USD net effect	(2,983)	2,983	(2,983)	2,983
+/-10% fluctuation of EUR rate				
EUR net asset/liability	(7,973)	7,973	(8,348)	8,348
Secured portion from EUR risk (*)	2,693	(2,693)	2,693	(2,693)
EUR net effect	(5,280)	5,280	(5,655)	5,655
+/-10% fluctuation of GBP rate				
GBP net asset/liability	22,323	(22,323)	29,802	(29,802)
Secured portion from GBP risk (*)	(15,769)	15,769	(15,769)	15,769
GBP net effect	6,554	(6,554)	14,033	(14,033)
+/-10% fluctuation of RUB rate				
RUB net asset/liability	1,614	(1,614)	15,241	(15,241)
Secured portion from RUB risk (*)	(498)	498	(498)	498
RUB net effect	1,116	(1,116)	14,743	(14,743)
+/-10% fluctuation of RON rate				
RON net asset/liability	-	-	18,088	(18,088)
Secured portion from RON risk (*)	-	-	-	-
RON net effect	-	-	18,088	(18,088)
+/-10% fluctuation of PLN rate				
PLN net asset/liability	2,087	(2,087)	3,454	(3,454)
Secured portion from PLN risk (*)	(1,123)	1,123	(1,123)	1,123
PLN net effect	964	(964)	2,331	(2,331)
	371	(371)	40,557	(40,557)

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

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30

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

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

The imports to and exports from Turkey for the periods ended September 30, are as follows:

	September 30, 2010		September 30, 2009	
	Original amount (in full)	TRY equivalent	Original amount (in full)	TRY equivalent
EUR	567,931,575	1,128,966	511,482,884	1,095,014
USD	262,614,400	398,192	216,197,271	344,167
GBP	152,951,222	355,295	154,148,070	373,505
Other		86,357		24,051
Total exports		1,968,810		1,836,737
EUR	270,631,832	538,237	222,573,324	473,094
USD	511,711,641	774,847	358,530,306	557,071
GBP	407,572	946	396,830	958
Other		4,285		2,560
Total imports		1,318,315		1,033,683

NOTE 26 – SUPPLEMENTARY CASH FLOW INFORMATION

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

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

	September 30, 2010	September 30, 2009
Changes in provisions:		
Assembly and transportation provision	(623)	(1,720)
Warranty provision	2,951	(4,031)
Provision for employment termination benefits	7,293	12,084
Accrual for bonuses and premiums	12,977	15,857
Accrual for customer premiums	39,018	51,550
Accrual for sales and marketing expenses	10,724	34,301
Provision for impairment on inventories	4,660	25,990
Provision for doubtful receivables	10,137	9,012
	87,137	143,043
Changes in operating assets and liabilities:		
Trade receivables	(177,101)	242,256
Inventories	(40,485)	316,344
Other assets and liabilities	(51,326)	47,147
Trade payables	74,186	20,782
	(194,726)	626,529

NOTE 27 – EVENTS AFTER THE BALANCE SHEET DATE

Shares of Burla Ticaret ve Yatırım A.Ş. with a share percentage of 1.92% in the share capital and nominal value of TRY 13,000 were sold at October 20, 2010. Resultantly, percentage of total shares of Burla Ticaret ve Yatırım A.Ş. in the share capital of the Company has decreased from 7.48% to 5.56%. Subsequent to this transaction, percentage of total publicly quoted shares in the total shares has been 25.19%.