Respects
THE GLOBE
Respected
GLOBALLY

Annual Report 09

Arçelik A.Ş.

Our most important asset is our people.

The quality of our products and services is based on the quality of our people. For the continuity of the Koç Group, we follow a policy of recruiting the best people and providing opportunities for development and advancement. To fully utilize the talents, strength, and creativity of our people, we create a work environment which nourishes increased productivity, cooperation, and solidarity.

Vehbi Koç

Contents

Respects

THE GLOBE

Respected

GLOBALLY

RESPECTS THE GLOBE, RESPECTED GLOBALLY

Arçelik Group, with its vision, aims

to achieve profitable, and
SUSTAINABLE GROWTH,

to increase market share in its
TARGET MARKET; the GLOBE,

to reach more consumers in a fast-changing world with
INNOVATIVE
products and services,

to safeguard the future with the concept of
CORPORATE RESPONSIBILITY,

and to integrate and optimize the components of the
GLOBAL ORGANIZATION
while becoming a Global Group.

Milestones

1955 / 1975

1955 Arçelik A.Ş. is established in Sütlüce.

1959 Arçelik A.Ş. produces the first washing machine in Turkey.

1960 Arçelik A.Ş. produces the first refrigerator in Turkey.

1975 Eskişehir Refrigerator Plant begins production.

1976/1993

1977 Ardem Cooking & Heating Appliances is founded.

Eskişehir Compressor Plant begins production.

1991 R&D Center is founded.

1993 Ankara Dishwasher Production Plant begins production.

1994/ 2007

1999 Arçelik A.Ş. acquires Ardem Cooking & Heating Appliances.

Arçelik A.Ş., Türk Elektrik Endüstrisi A.Ş. and Atılım A.Ş. ve Gelişim A.Ş. merge to become a single entity.

2006 Refrigerator and Washing Machine Production Plant begins production in Russia.

Washing Machine Production Plant begins operations in China.

Arçelik A.Ş. becomes the largest shareholder in Beko Elektronik A.Ş.

2008

2008 First Tumble Dryer Production Plant begins operations in Çerkezköy.

"A first in the world," Divide & Cool (DAC), Dividable Cooling Technology is launched.

Legal title of Beko Elektronik A.Ş. is changed to Grundig Elektronik A.Ş.

Almanac 2009

JANUARY-FEBRUARY

Beko Basketball League, Beko All-Star Game, kicks off in Izmir.

3rd International Meeting of Beko Authorized Dealers convenes in Istanbul.

MARCH-APRIL

Arçelik A.Ş. Ordinary General Shareholders Meeting is held.

Arçelik Air Conditioner Training Academy opens.

Beko introduces new built-in appliances product line in Istanbul to customers and to distributors.

MAY-JUNE

As a member of the International Patent Champions League, Arçelik A.Ş. rewards its successful engineers on the 11th Annual Invention Day.

Lord Mervyn Davies, the U.K. Minister for Trade, Investment and Small Business, visits Ankara Washing Machine Plant.

Turkish President Abdullah Gül visits the Beko store in China's capital during his trip to the People's Republic of China.

Desktop and laptop computers with Arçelik's Grand Prix design are introduced with the participation of Germany's Formula 1 driver, Nick Heidfeld from BMW Sauber.

The merger of Arçelik A.Ş. and Grundig Elektronik A.Ş. is completed.

The first four-door refrigerator is manufactured in Turkey.

JULY

With a consumption rate 30% more economical than A class, the "World's Quickest Washing Machine" is manufactured, offering the "Least Energy Consumption in the World" with "14 washing programs."

AUGUST

Arçelik launches "Super Invertech" with 60 percent more energy-efficient performance in heating and cooling than any other A class air conditioners.

Arçelik's Green Eco-Panel LCD TV with 45% less energy consumption is introduced to consumers.

Beko is the main sponsor of Eurobasket 2009, European Basketball Championship.

SEPTEMBER

Beko sponsors the Russian Youth Ice Hockey League.

Beko becomes the main sponsor of the 2010 FIBA World Basketball Championship in Turkey.

Beko becomes the main sponsor of the German Basketball League, "Basketball Bundesliga."

Beko becomes the main sponsor of the FIBA Asia Basketball Championship.

OCTOBER

Arçelik A.Ş. and KoçSistem launch "New Generation Digital Signage" solution used in English Premier League Soccer Stadiums.

The president of the Republic of Kazakhstan visits Ankara Washing Machine Plant during his trip to Turkey.

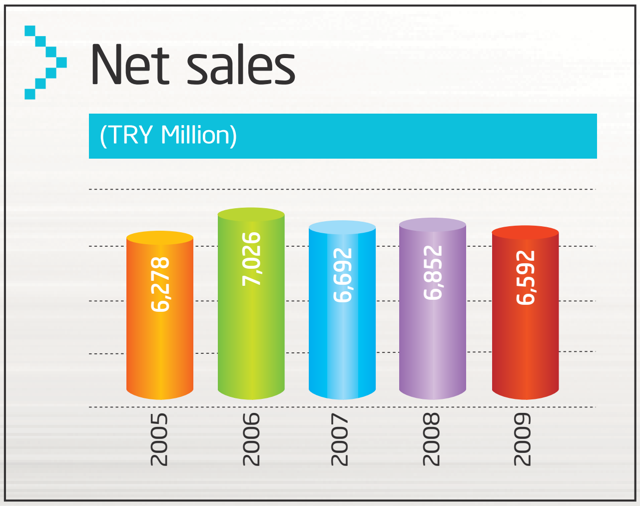
DECEMBER

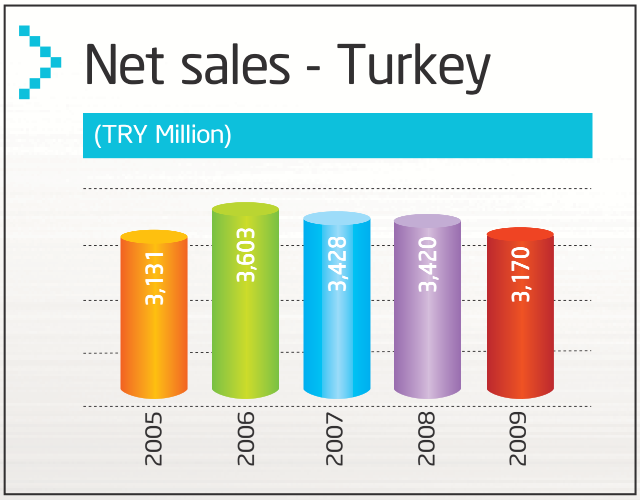
Arçelik Tumble Dryer Plant produces its one millionth tumble dryer.

The world champion in three categories, the "most silent, least water consuming and fastest" dishwasher is introduced to consumers.

2009 Financial Statement Summary

- Total consolidated net sales in 2009 were **Turkish lira 6.59 billion**. Recovery in total net sales came after the second quarter of 2009, following a low performance in the first quarter of 2008 due to the global crisis. In 2009 consolidated sales increased **15%** in Western Europe and **21%** in Africa and the Middle Eastern regions compared to 2008.
- Operating profit margin in 2009 rose by **5** percentage points to **11.4%**.





- Consolidated net profit in 2009 was **Turkish lira 503 million.**
- Cash flow from operating activities **rose four-fold to over Turkish lira 1.79 billion** from Turkish lira 0.45 billion.
- Net financial debt at the end of 2009 fell to **Turkish lira 1.21 billion** with a 61% decline compared to the previous year.

Operating Profit Margin
11.4%

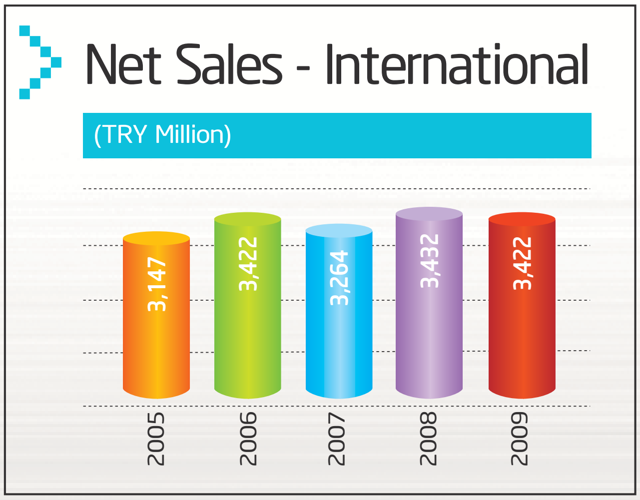
Net Profit
TRY 503 million

Cash Flow from Operating Activities
TRY 1.79 billion

International sales made up 52% of consolidated sales in 2009. Branded sales comprised 80% of all international sales.

Western Europe
15% increase

Africa and Middle East
21% increase



Distinguished Shareholders and Business Partners and Esteemed Arçelik Family,

I would like to welcome you to the Ordinary General Shareholders Meeting where we will review our 2009 operations and then put forward for your approval.

The global crisis, which crept upon us around the end of 2008, spread to the real economy at a rapid pace last year. We witnessed unusual fluctuations and shrinkages in the strongest economies of the world, with America at the forefront where the crisis first broke out. Banks that were once thought to be invincible were on the brink of bankruptcy while others did in fact reach that point eventually. Governments attempted to stave off volatility with stimulus packages amounting to billions of dollars. Despite all these efforts, the global crisis stretched in waves that hit individuals personally, causing an extraordinary decline in production, employment, and global trade with falling demands. As a result, the global economy shrank by 1 percent.

Stimulus packages presented by governments along with abundant and cheap money thrown into the markets started to bear fruit in the second half of the previous year. Growth did find its way back to developed economies starting with the U.S., notwithstanding a few exceptions. Developing countries like China, India and Brazil were relatively less affected and continued to grow in 2009, resulting in adjusted forecasts of the global economy. As a result, new theories are now signalling the coming of a new era where the driving force for demand, production and employment will originate from emerging markets such as ours rather than from strong Western economies.

Economic prospects for 2010 seem less dismal in light of these developments. The latest IMF report upped its growth estimate in 2010 to 3.9 percent. If this rings true, some of the losses will be recovered. However, we should remain cautiously optimistic since the dilemma has not been completely abated just yet.

The impact of the global crisis in our country is evident in view of economic indicators and our market experiences. Our banking sector overcame this tough period without sustaining substantial losses, thanks to lessons learned from previous difficulties years ago. Despite the strong showing of our financial industry, a global slowing down in the real economy caused domestic markets and also exports to dwindle. Our economy is estimated to have shrunk by 5.5 percent in 2009.

Recovery in the last quarter gave us reason to be optimistic despite sizeable shrinkage in this last period. Although economic indicators confirm this optimism, it is vital that public fiscal discipline be restored, which was loosened during the crisis.

Report of the Board of Directors and Message from the Chairman

Rising inflation - moving away from its downward trend of the last few years - also appears to be a risk factor with policies brought about by crisis era measures. Equally imperative are reinstating fiscal discipline and bringing inflation down to target levels with the policies of the Turkish Central Bank.

The Koç Group managed to shine despite a turbulent year in the global economies, which also affected our country. Preventive measures were taken in our financial structures and operational processes at the first sign of the crisis. Detailed measures with special attention to cutbacks helped us increase our profitability, moving Koç Holding to the 172nd spot among Fortune 500 companies, a prestigious ranking among giant global companies.

A distinguishing and pioneering company, Arçelik showed positive results under difficult market conditions. White goods took a hit in the crisis just like many other segments. The special consumption tax, which was cut in March, brought about some momentum in sales, especially in the second quarter. This did not prevent demands from falling behind our 2008 figures. However, we kept our position as the market leader, warding off any fluctuations in demand to maintain profitability with our dynamic operations in marketing strategies, stock maintenance, and accounts receivable.

Many of our foreign markets suffered sharper declines compared to ours. In fact, we turned shrinkage into opportunity and upgraded our shares in many significant foreign markets with our creative marketing and pricing policies. We steered towards a variety of regions and countries as we laboured resiliently for years to augment our market share in places that make up a big chunk of our exports but are also mired down in the crisis. We selected the best products among those we manufacture domestically and also abroad to create product lines that are sought after.

These arduous efforts resulted in consolidated sales revenues of 6.6 billion Turkish lira and net international sales of 3.4 billion Turkish lira for Arçelik in 2009. Operating profit climbed to 749 million Turkish lira, displaying a 70 percent increase, and pre-tax profit stood at 576 million Turkish lira.

The merger with Grundig Elektronik during the year invigorated and boosted our position in the consumer electronics sector. This merger brought with it synergy, productivity and economy which in turn helped Arçelik, Beko and Grundig brands solidify their positions and gain market shares in both domestic and foreign markets.

We did not settle, however, on our towering market shares and formidable brand positions. Our efforts to develop new technologies and our R&D operations continued to strengthen our position as the market leader. Many of our products were awarded for their design, technology and energy conservation by domestic and international institutions. Our innovative, dynamic and flexible company profile was commended once again for our successful performance in the markets by independent institutions.

Adding to our successful financial results, Arçelik, a driving force in the business world, continues to contribute to our community not only in terms of the economy, culture and sports but also in our corporate social responsibility projects.

The flagship of the Koç Group as well as of the sector, Arçelik is an exemplary industrial company with its knowledge spanning half a century and with our corporate structure, extensive dealer network, and service organization. A robust R&D capacity, modern production plants at home and abroad, and an educated and skilled workforce all make it possible for us to offer the market high quality, innovative, and green products at competitive prices. Our extensive dealership network with close historical ties has been very instrumental with its strong positioning in the market. Arçelik retains its heritage on the way to becoming an international player, thanks to domestic marketing organizations as well as to the company's ten different brands and its domestic and international production plants.

As this strenuous period ensues, the year 2010 marks the 55th anniversary of our company. I am confident that the technological and marketing experience gained during our long history - given to just a few companies - and our skilled workforce and dealers, who have stayed the course through all obstacles both great and small, will ensure another triumphant year with successful results.

I would like to express my gratitude to our managers, authorized dealers and services, suppliers, to the finance institutions we work with, to our employees for their tireless efforts, to our shareholders who continuously support us, and finally to our customers for their contributions to the success of our company.

Wishing that this year would be another peaceful and prosperous time for our country, I extend my kindest regards to all of you.

RAHMİ M. KOÇ
CHAIRMAN,
ARÇELİK A. Ş.

Board of Directors, 2009

Rahmi M. Koç

Chairman

A graduate of Johns Hopkins University in business administration, Mr. Koç first joined the Koç Group in 1958 at Otokoç and has held various senior positions at Koç Holding. He became Chairman of the Management Committee in 1980 and was named Chairman of the Board of Directors of Koç Holding in 1984, a post he held until 2003 when he became the honorary Chairman. In addition to his role as Koç Holding's honorary Chairman, Mr. Koç also serves as Vice Chairman of the Board of trustees of the Vehbi Koç Foundation; Chairman of the Board of trustees of Koç University; founder and Chairman of the Board of Directors of the Rahmi M. Koç Museum and Cultural Foundation; Chairman of the Board of Directors of the Vehbi Koç Foundation American Hospital; honorary Chairman and founder of the Turkish Marine and Environmental Protection Association (TURMEPA); honorary president of the High Advisory Council of the Turkish Industrialists' and Businessmen's Association; and a member of the advisory Board of the Turkish Employers' Association.

Dr. Bülent Bulgurlu

Vice Chairman

Dr. Bulgurlu graduated from Ankara University, Engineering and Architectural Faculty, and earned his Ph.D. from Norwegian University of Science and Technology (NTNU). He started his career in 1972 as a Construction Engineer at Elliot Strömme A/S in Oslo. He joined Garanti Inşaat in 1977 as a Construction Engineer and worked as the Planning and Construction Manager, the Site Coordination and Construction Manager, the Assistant General Manager and General Manager. He has worked at Koç Holding since 1996 as President of the Tourism and Services Group, President of the Tourism and Construction Group, and President of the Consumer Durables and Construction Group. He became the CEO and a Member of the Koç Holding Board of Directors in May 2007. He is also a Member of the Turkish Industrialists' and Businessmen's Association, the Turkish Marine and Environment Protection Association (TURMEPA) and the Turkish Tourism Investors Association.

Robert Sonman

Member

Mr. Sonman has a postgraduate degree in architecture from McGill University in Canada.
He serves as the Chairman and Vice Chairman of the Board of Directors at Burla Group Companies, a shareholder of Arçelik A.Ş.

He has been a Board Member at Arçelik A.Ş. for the last five years and speaks English and French.

Mustafa V. Koç

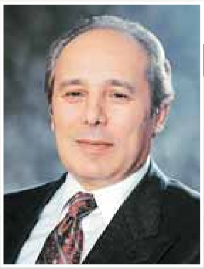
Member

After graduating with a B.A. degree in Business Administration from George Washington University in 1984, Mr. Koç joined the Koç Group at Tofaş. In 1992, he moved to Koç Holding and served as the Vice President and President of various business groups. He became a Member of the Board of Directors in 2001 and Vice Chairman in 2002. He was appointed as Chairman of the Koç Holding Board of Directors on April 4, 2003. He is a Member of the Vehbi Koç Foundation Board of Directors, the Board of trustees of the Turkish Volunteers for Education Foundation and the Istanbul Chamber of Industry. He also serves as the Honorary Consul General of Finland for Istanbul and is a Member of the Foreign Economic Relations Board, the advisory Board of Kuwait International Bank, and the Rolls-Royce Advisory Board. He joined the JP Morgan International Council in June 2004. Mr. Koç is also the Chairman of the Turkish Industrialists' and Businessmen's Association High Advisory Council.

Semahat S. Arsel

Member

A graduate of the American College for Girls (Istanbul), Ms. Arsel studied German at the Goethe Institute and is fluent in both English and German. She began her career in 1964 as a Member of the Koç Holding Board of Directors, a position she continues to hold. In addition, she is the Chairman of the Board of Directors of the Vehbi Koç Foundation, Chairman of the Tourism Group Board of Directors, second Chairman of the Florence Nightingale Foundation, and the Chairman of the Semahat Arsel Nursing Education and Research Center. She is also the founder of Koç University School of Nursing.



Temel K. Atay

Member

Mr. Atay holds a MBA degree from Wayne State University, Detroit, Michigan, and a B.S. degree in mechanical engineering from Istanbul Technical University. He joined the Koç Group in 1966 and served as General Manager of Otoyol Sanayi A.Ş. and Tofaş Türk Otomobil Fabrikası A.Ş. as well as holding several senior positions. He served as the CEO of Koç Holding between 2000 and 2001. He has been a Member of the Board of Directors of Koç Holding since 1996 and has served as the Vice Chairman in 1998.

M. Ömer Koç

Member

Mr. Koç received his B.A. from Columbia University in 1985. He worked at Kofisa Trading for one year. After completing his M.B.A. at Columbia University in 1989, he worked at Ramerica International Inc. He joined Koç Holding in 1990, worked at Gazal A.Ş. and held various senior positions such as the Finance Coordinator, Vice President and President of the Energy Group at Koç Holding. He has been a Member of the Koç Holding Board of Directors since 2004 and Vice Chairman since May 2008. He is also the President of Turkish Educational Foundation, the Geyre Foundation, Yapı Kredi Kültür Sanat Yayıncılık and Chairman of the Tüpraş Board of Directors.

Ali Y. Koç

Member

Mr. Koç graduated from Rice University in business administration and earned an M.B.A. degree from Harvard Business School. He attended the American Express Bank Management Trainee program between 1990 and 1991 and worked as an analyst at Morgan Stanley Investment Bank between 1992 and 1994. Starting in 1997, he has held various senior positions at Koç Holding such as the Coordinator of New Business Development and President of the Information Technology Group. He has been serving as the President of the Corporate Communications and Information Technology Group since 2006. He was appointed as a Member of the Koç Holding Board of Directors in January 30, 2008.

Aka Gündüz Özdemir

Member

A graduate of Istanbul Academy of Economics and Commercial Sciences, Mr. Özdemir joined the Koç Group in 1972 at Beko Ticaret A.Ş. After serving as Assistant General Manager and General Manager at Beko, he became the Assistant Vice President of Consumer Durables Group at the Koç Group and the Director of Turkey Marketing and Sales Group at Arçelik A.Ş. After becoming the General Manager of Arçelik A.Ş. in 2003, he was also appointed as the President of Consumer Durables at Koç Group in May 2007. He has been serving as the President of Consumer Durables Group since August 25, 2008.

Levent Çakıroğlu

Member

Mr. Çakıroğlu graduated from Ankara University Faculty of Political Science, Business Administration Department and earned his post graduate degree from the University of Illinois. Mr. Çakıroğlu started his career in 1988 as an Assistant Accounting Specialist at the Ministry of Finance and held his position as Accounting Specialist until 1998. He joined Koç Group in 1998 as Finance Group Coordinator and later served as the General Manager of Koçtaş and Migros. He has been serving as the General Manager of Arçelik A.Ş. since August 2008.

Serkan Özyurt

Auditor

Mr. Özyurt has a degree in economics from Ankara University, Faculty of Political Sciences. He started his career as an Accounting Specialist in the Ministry of Finance in 1990. He served as the Chief Accounting Specialist between 1999 and 2002. He was Vice President of the Istanbul Group Accounting Specialists Department between 2002-2003 and President and Vice President of Accounting Specialist Department between 2003-2004. He joined the Koç Group in 2005 and has been serving as the Coordinator on the Board of Auditors.

İnanç Kiraz

Auditor

Mr. Kiraz has a graduate degree from the University of Istanbul, Faculty of Economics and a post graduate degree in business administration from Koç University. He started his career as a management trainee in the Koç Holding A.Ş. Auditing and Financial Control Group. He served as an Auditor Specialist between 2001 and 2005 and as Manager of the Auditing Group between 2005 and 2008. He has been working as the Coordinator of the Auditing Group at Koç Holding A.Ş. Audit Group Management since January 2009 and is responsible for the Durable Goods Group and Food & Retailing Group.

Powers and Limitations of the Members of the Board of Directors and Auditors: The members of the Board of Directors and Auditors were elected for a one-year term based on a decision at the Ordinary General Shareholders Meeting on March 25, 2009. Authority and power were vested in the Chairman and members of the Board of Directors, according to the Turkish Commercial Code and the Articles of Association, Articles 11 and 16. Authority and power were vested in the members of the Auditors, according to Article 25 of the Capital Markets Board Communique Serial: X, No: 22.

Esteemed Shareholders, Business Partners and Employees,

We left behind another gruelling economic year. The household appliances market suffered a decline worldwide, notwithstanding some differences regionally. In fact, shrinkage reached worrisome levels, especially in Eastern Europe.

Despite signs of improvement in the sector, especially with the incentives of 2009, talking about a complete recovery at this point would be rather premature.

We upheld our leadership in the household appliances segment and also in our LCD TVs and air conditioners with our brands. We also achieved revenues of 6.6 billion Turkish lira in 2009, even under strenuous market conditions, and enlarged our market shares in our various areas of operation. Moreover, we were among the companies that raised their market shares the most in all of Europe. We also upheld our leadership in Romania with a slight improvement in Eastern European markets. And our leadership primarily in household appliances, LCD TVs and air conditioners was unchallenged in Turkey.

We continued to penetrate new markets and new channels in our current markets during 2009 and focused on strengthening our brands. We grew more than 50% in terms of sales quantity with our Beko brand in the U.K., despite a shrinking market, while we increased our market share more than other companies in France. In addition, we have bolstered our brand positioning in many of our markets.

Despite some slowing down in the amount of sales due to a waning household appliances market, our revenues surpassed the previous year's, thanks to improved product diversity and favourable exchange rates. Our profitability in household appliances swelled with improvements in product-price combinations as well as with simplification of product development and production processes, cost-cutting measures, and productivity projects.

Our vision to carry us to the future is our vantage point: "Respects the globe, respected globally."

A relative recovery in raw material prices had a positive effect on company performances in the industry. As such, we managed to turn declining raw material prices to our advantage.

We also restructured our consumer electronics segment. And our decision to focus on profits rather than sales growth in TVs bore fruit with growing profitability, in spite of declining revenues compared to the previous year's. The merger of Grundig Elektronik A.Ş. with Arçelik A.Ş. was completed in June. Consequently, we increased productivity substantially by joining two companies under one entity.

We focused on improving productivity and minimal cost management, primarily in the supply chain and also in all other processes. Improvements in operating costs along with product profitability resulted in an operating profit of 11.4 percent and an EBITDA margin of 14.1 percent.

Sound management of working capital was one of the targets in 2009. The ratio of working capital to net sales was cut to 36 percent from 47 percent, thanks to effective stock management efforts.

We accomplished 1.8 billion Turkish lira in cash flows from operating activities as a result of a hike in operating profits and the effective management of operating capital. Net financial liability in 2009 dropped to 1.2 billion Turkish lira from 3.1 billion Turkish lira at the end of 2008. Thus, our balance sheet became even stronger in terms of our fast growth target.

Our R&D efforts were nonstop, with our capability helping us to continuously introduce our innovative products in the market.

We proved our ability to make and implement quick decisions along with our flexibility and strength in crisis management and emerged even stronger in a very tough market. As a result, we accomplished our financial and strategic targets for 2009.

We plan to grow and break into new markets by turning market conditions to our advantage in 2010. As we work towards this goal, we will focus on sustainable growth and continue to be one of the most profitable companies in our industry.

Bolstering our brands will remain one of priorities. We will persist in our efforts to create the most energy efficient products, adapting to the needs of consumers and enhancing their comfort.

We will pay the utmost attention to using our resources in the most productive way as we work towards realizing our challenging targets. We will continue to develop green products that are innovative, aimed at increasing the quality of life for our customers. In other words, we will continue producing the "mosts" and the "firsts."

Our vision to carry us to the future is our vantage point: "RESPECTS THE GLOBE, RESPECTED GLOBALLY."

I express my sincerest gratitude to our shareholders, employees, authorized dealers and services, customers and business partners for their support and contribution to the success of our company.

With my best regards,

LEVENT ÇAKIROĞLU
General Manager
ARÇELİK A. Ş.

Management 2009

Levent Çakıroğlu

Arçelik A.Ş. General Manager

Dr. Fatih Kemal Ebiçlioğlu

Assistant General Manager, Finance and Accounting

Dr. Ebiçlioğlu graduated from Ankara University, Faculty of Political Science and Public Administration. He has a postgraduate degree from Virginia Commonwealth University, International Finance Department and a doctorate from Ankara University, Faculty of Business Administration. Mr. Ebiçlioğlu started his career at the Ministry of Finance as an Assistant Financial Analyst and served as a Financial Analyst and Chief Financial Analyst. He joined the Koç Group in 2002 as the Coordinator of the Finance Group. He has been working at Arçelik A.Ş. as the Assistant General Manager in charge of Finance and Accounting since April 2005.

İsmail Hakkı Sağır

Assistant General Manager, Production and Technology

Mr. Sağır has a graduate degree from Middle Eastern Technical University, Faculty of Mechanical Engineering, and started his career as a Project Engineer at the Arçelik Refrigerator Plant in 1980. He served as the Quality Manager, the Assistant Production Manager, the Production Manager, the Compressor Product Manager and Refrigerator Product Manager, respectively. He has been working at Arçelik A.Ş. as the Assistant General Manager in charge of Production and Technology since May 2009.

Tülin Karabük

Assistant General Manager, Sales Europe, America, Asia-Pacific

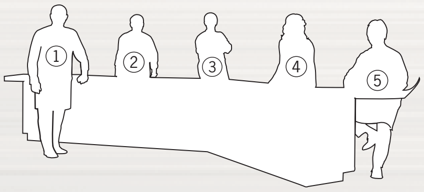
Ms. Karabük graduated from Boğaziçi University, Department of Management, and started her career in 1987. She worked in management and senior management positions in the pharmaceutical, consumer, office products and telecommunications segments. She has been working at Arçelik A.Ş. as the Assistant General Manager in charge of Sales Europe, America, Asia-Pacific since September 2009.

Şirzat Subaşı

Assistant General Manager, Sales Turkey, Middle East, Africa and Turkic Republics

Mr. Subaşı graduated from Istanbul Technical University, Faculty of Management. He started his career at Beko Ticaret A.Ş. in 1986 and served as the Regional Sales Manager, Assistant Sales Manager, Sales Manager, Beko Sales Director, the Director of the Turkey Marketing and Sales Group, and Assistant General Manager of Turkey Marketing and Sales, respectively. He has been working at Arçelik A.Ş. as the Assistant General Manager in charge of Sales Turkey, Middle East, Africa and Turkic Republics since May 2009.

Levent Çakıroğlu 1
Dr. Fatih Kemal Ebiçlioğlu 2
İsmail Hakkı Sağır 3
Tülin Karabük 4
Şirzat Subaşı 5

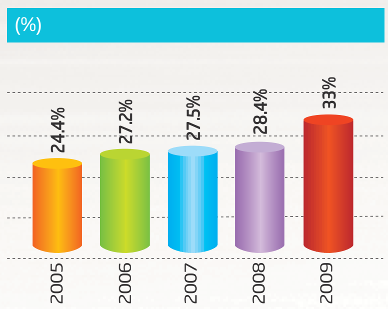


Ahmet İhsan Ceylan	Information Technologies Director
Ahmet Sakızlı	Product Planning and Coordination Director
Ali Tayyar	Accounting Director Headquarter-Plants
Brigitte Petit	Country Manager France-Beko France S.A. General Manager
Buket Çelebiöven	Human Resources Director
C. Ş. Oğuzhan Öztürk	Supply Chain Director
Cemal Can Dinçer	Sales Director-Europe, America, Asia-Pacific
Clayton Witter	Country Manager UK-Beko PLC General Manager
Dilek Temel	Corporate Relations Coordinator
Dr. Cemil İnan	Research and Development Director
E. C. Murat Büyükerk	Sales Director-Middle East, Africa, Turkic Republics
Ercüment Gülşen	Beko Sales Director
Erkan Duysal	Product Director-Electronics
Federico Mangiacotti	Country Manager Italy-Beko Italy S.R.L. General Manager
Ferhat Erçetin	Purchasing Director
Hakan Kozan	Product Director-Dishwasher
Hakan Turan	Customer Services Director
Hasan Ali Yardımcı	Strategic Planning Director
Hilmi Cem Akant	Country Manager Spain-Beko Electronics Espana S. L. General Manager
İhsan Somay	Accounting Director Sales and Marketing
İsmail Kürşat Coşkun	Country Manager China-Beko Electrical Appliances Co. Ltd. General Manager
Kamil Uğur Kayal	Business Development Coordinator
Maciej Mienik	Country Manager Poland, Czech Republic, Slovakia-Beko Polska General Manager-Beko S.A., Beko Cesko S.R.O., Beko Slovakia S.R.O. General Manager
Mehmet Savaş	Product Director-Dryer and Electric Motors
Melis Mutuş	Corporate Communication Coordinator
Monica Iavorschi	Country Manager Romania-S.C. Arctic S.A. General Manager
Murad Şahin	Marketing Director
Mustafa Türkay Tatar	Finance Director
Nihat Bayız	Product Director-Refrigerator
Rauf Candan Oğuzkan Şatıroğlu	Country Manager Russia-Beko LLC General Manager
Salih Arslantaş	Product Director-Washing Machine
Serdar Sözenoğlu	Country Manager Austria-Elektra Bregenz A.G. General Manager
Sibel Kesler	Budget, Reporting and Analysis Director
Şemsettin Eksert	Country Manager Grundig-Grundig Intermedia GmbH General Manager
Tevfik Adnan Tüfekçi	Product Director-Cooking Appliances
Turgut Karabulut	Arçelik Sales Director
Zafer Üstüner	Country Manager Germany-Beko Deutschland GmbH General Manager

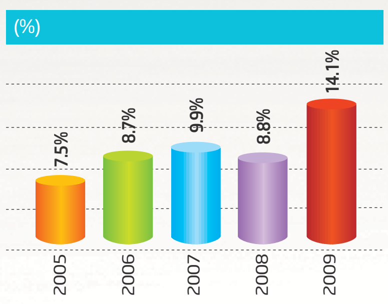
Financial Indicators

Sustainable Growth

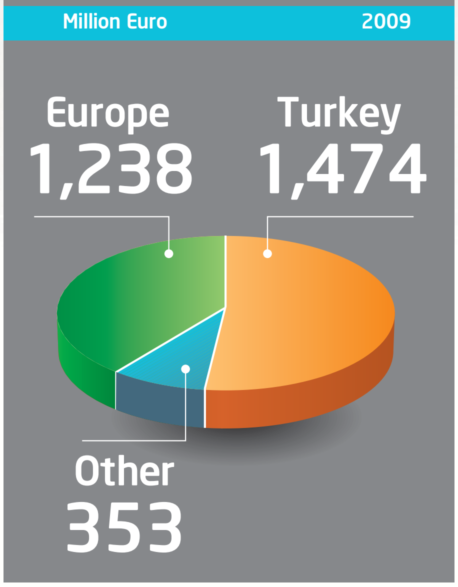
Gross Profit Margin



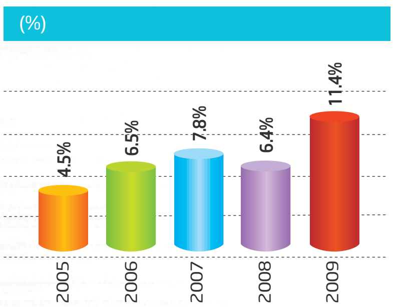
Earnings before Interest, Taxes, Depreciation and Amortization



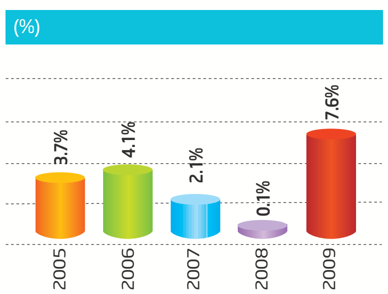
Regional Distribution of Net Sales



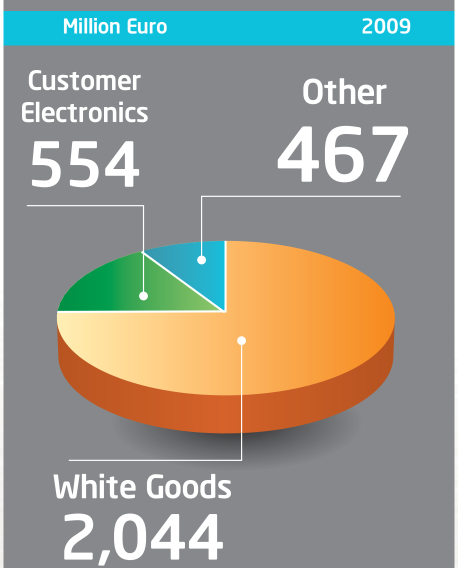
Operating Profit Margin



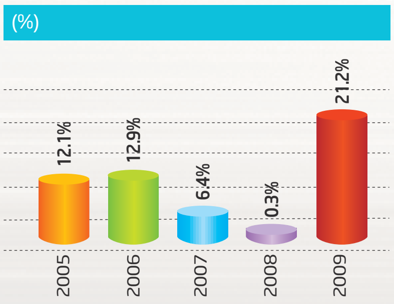
Net Profit Margin



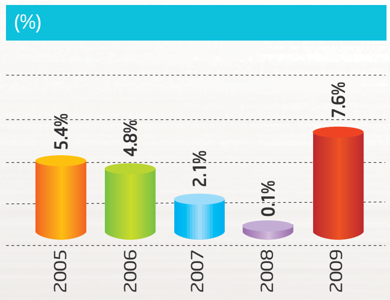
Net Sales by Product Group



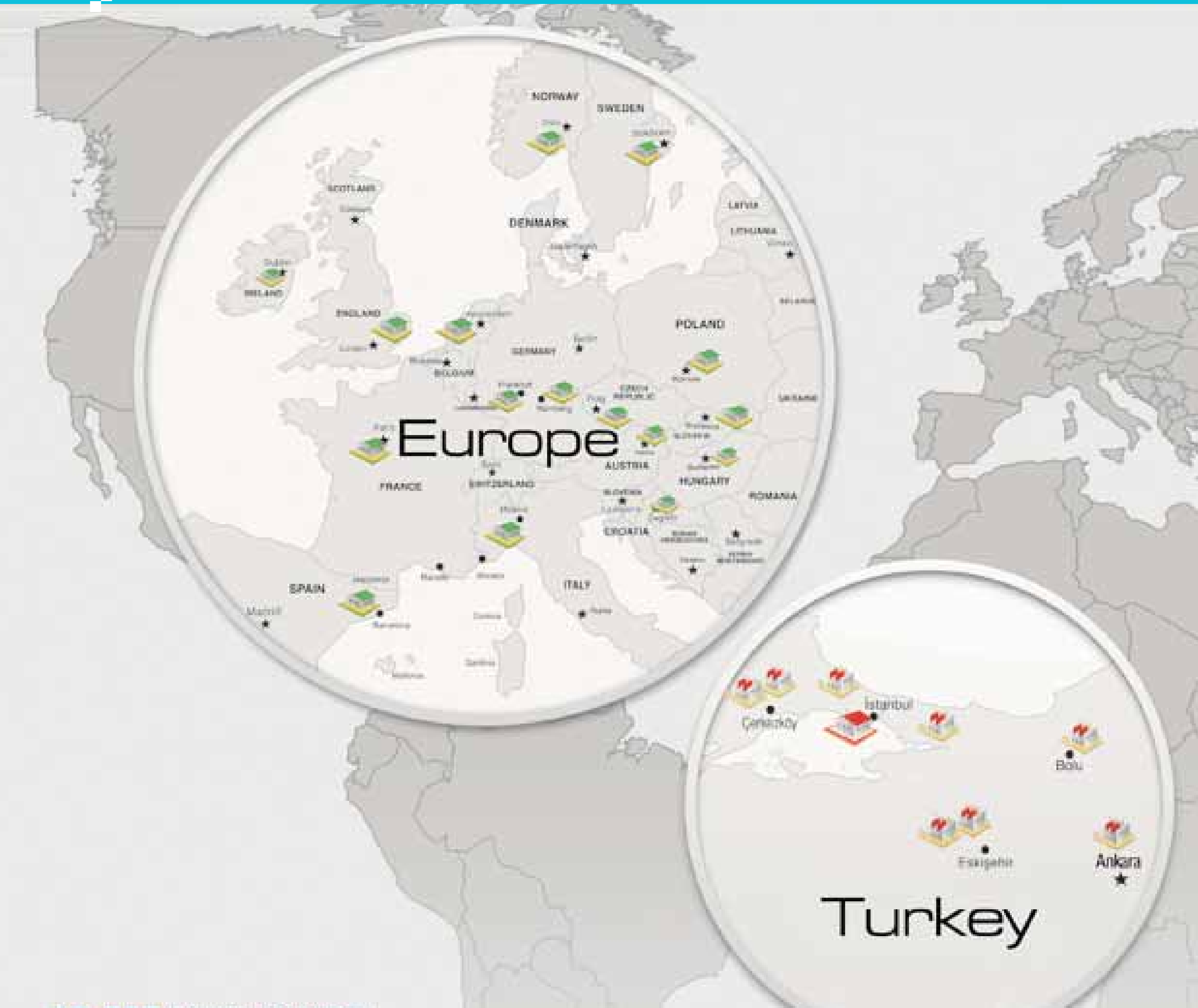
Return on Equity



Return on Assets



Global Operational Network

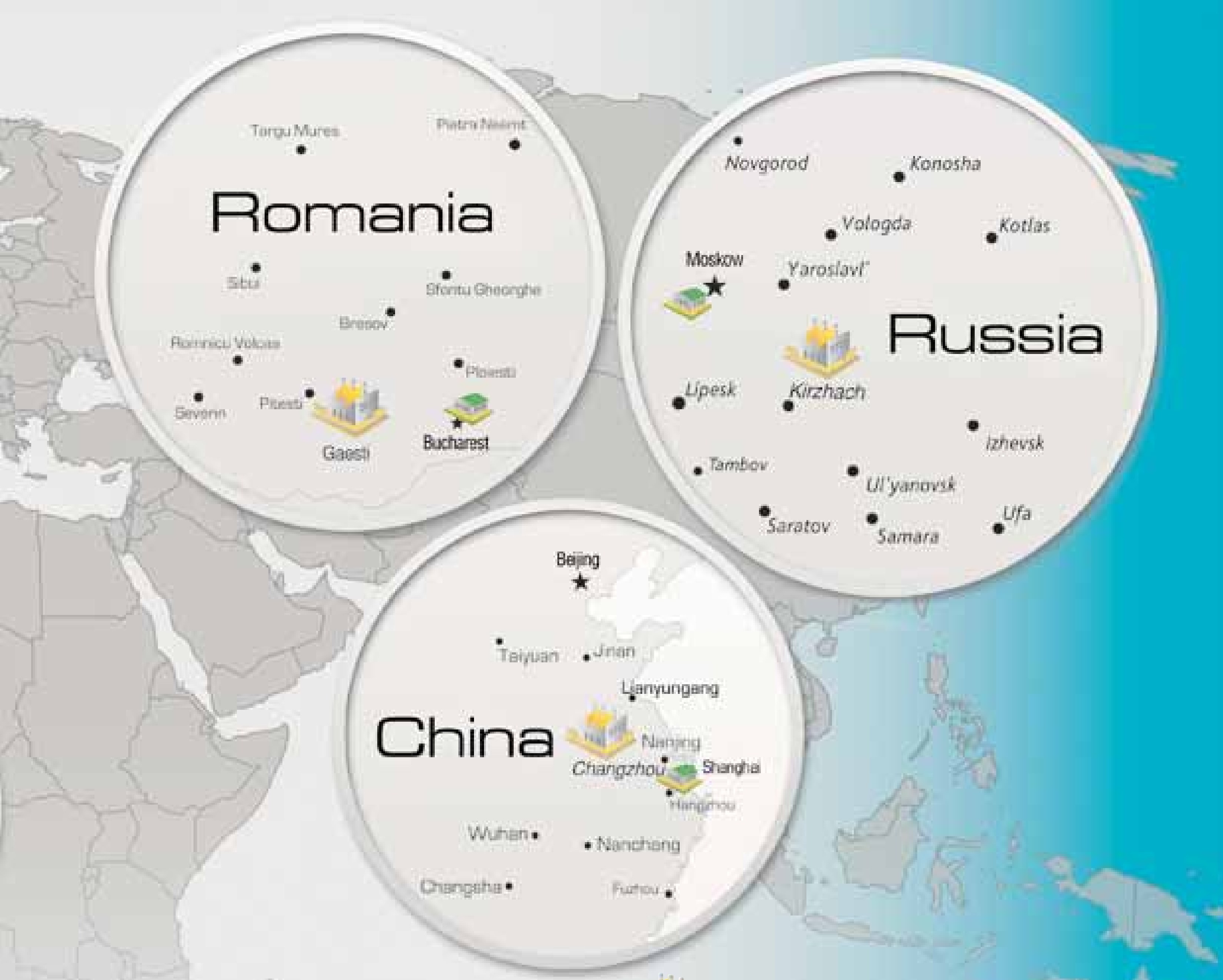


17,000 EMPLOYEES

11 PRODUCTION FACILITIES IN 4 COUNTRIES

SALES AND MARKETING ORGANIZATION OPERATING IN 18 COUNTRIES

PRODUCTS AND SERVICES IN OVER 100 COUNTRIES



Headquarters
Istanbul, Turkey

International Sales and Marketing

Germany	Beko Deutschland GmbH
Austria	Elektra Bregenz AG
Czech Republic	Beko S.A. Cesko
China (Shanghai)	Beko Shanghai Trading Co.
France	Beko France S.A.
U.K.	Beko Plc.
Spain	Beko Electronics Espana S.L.
Italy	Beko Italy S.r.l.
Slovakia	Beko Slovakia S.R.O.
Poland	Beko S.A.
The Netherlands	Grundig Multimedia B.V.*

Production, Sales and Marketing

Romania	Arctic S.A.
Russia	Beko L.L.C.
China	Beko Electrical Appliances Co. Ltd.

Production Plants

Eskişehir	Refrigerator Plant
Tuzla	Washing Machine Plant (Istanbul)
Beylikdüzü	Electronics Plant (Istanbul)
Bolu	Cooking Appliances Plant
Ankara	Dishwasher Plant
Çerkezköy	Electric Motors Plant (Tekirdağ)
Eskişehir	Compressor Plant
Çerkezköy	Tumble Dryer Plant (Tekirdağ)

* Operates in 8 Countries in Europe


arçelik
BEKO
arçelik

Five-Year Consolidated Financial Review

Millions (Euros)	2009	2008	2007	2006	2005
INCOME STATEMENT					
Net Sales	3,065	3,615	3,764	3,910	3,760
Gross Profit	1,011	1,027	1,036	1,063	916
Operating Profit	348	232	292	255	169
Income before Tax	268	15	112	202	179
Net Income	234	3	77	162	138
Depreciation and Amortization	84	88	79	87	113
BALANCE SHEET					
Year-End Cash and Cash Equivalents	419	194	235	156	185
Inventories	420	609	758	689	608
Total Current Assets	1,925	2,067	2,479	2,272	2,181
Property, Plant and Equipment-Net	576	594	705	602	586
Total Assets	2,975	3,204	3,816	3,445	3,236
Total Current Liabilities	1,472	1,397	1,846	1,555	1,261
Total Liabilities	1,705	2,269	2,562	2,291	1,891
Minority Interest	20	30	17	18	51
Equity	1,270	935	1,255	1,154	1,345
CASH FLOW					
Cash flows from Operating Activities	836	237	68	-85	194
Cash flows from Investment Activities	33	-171	-176	-260	233
Cash flows from Financial Activities	868	66	-108	-345	427
Dividends Paid	1	54	114	113	146
Capital Expenditures	96	187	191	181	153
SHARE-BASED FIGURES					
Dividends (Euro)	0.069	0.013	0.141	0.278	0.299
Year-end Share Price (Euro)	2.71	0.96	4.77	4.51	5.92
Price-earnings Ratio	6.89	20.70	20.66	10.30	12.05
Dividends/Net Income (%)	17.4	25.1	63.4	61.7	64.1
Year-end Market Capitalization	1,830	385	1,906	1,804	2,368
EMPLOYEE INFORMATION					
Number of Employees	16,931	17,472	17,053	16,201	14,986

Shareholders

The company's issued capital increased to 659,934,000 Turkish lira in 2009, up from 399,960,000 Turkish Lira with increase of 259,974,000 Turkish lira, from which 249,975,000 Turkish lira was paid in cash and 9,999,000 Turkish Lira from retained earnings in 2008. With authorization from the Capital Markets Board (CMB) on April 27, 2009, the capital increase process began on May 4, 2009 and was completed on May 18, 2009. The remaining shares, for which shareholders had not exercised their pre-emptive rights, were offered to the public on the Istanbul Stock Exchange (ISE) and sold on May 28, 2009. Free shares issue process, beginning simultaneously on May 4, 2009, is not restricted to any time limitation.

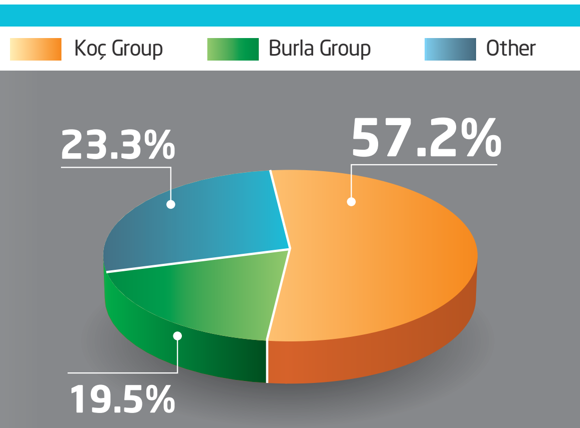
Following the capital increase and authorization by the board of directors on February 27, 2009, the company decided to merge with its subsidiary Grundig Elektronik A.Ş., under Article 451 of the Turkish Commercial Code and Articles 18-20 of the Corporate Tax Law, with full existing assets and liabilities stated in the company's financial statements, effective December 31, 2008. With this authorization from the CMB, dated May 28, 2009, the shareholders convened an Extraordinary General Shareholders Meeting for the merger on June 29, 2009, and the company registered the meeting minutes on June 30, 2009. The capital increase for the merger was duly set at a ratio of 1:0.1947396 and 15,794,205 Turkish lira, according to the decisions taken. Accordingly, the company's issued capital increased from 659,934,000 Turkish lira to 675,728,205 Turkish lira. The share conversion process, beginning July 10, 2009, is not restricted to any time limitation.

Divided into registered shares of 67,572,820,500, each with a nominal value of 0.01 Turkish lira, the company's issued capital of 675,728,205 Turkish lira was paid in full by the company's shareholders from capital increases in 2009. The company's registered capital is currently 1,500,000,000 Turkish lira.

Shareholders	Paid-in Capital (TRY thousand)	Share (%) (%)
Koç Holding A.Ş.	273,742	40.5
Koç Group Other	112,783	16.7
Koç Group Total	386,525	57.2
Teknosan Büro Makina ve Levazımı Tic. ve San. A.Ş.	81,428	12.0
Burla Ticaret ve Yatırım A.Ş.	50,572	7.5
Other Shareholders	157,203	23.3
TOTAL	**675,728**	**100.0**

Explanations from respective shareholders to the ISE in 2009 pertaining to transactions of privately held shares are as follows:

- On April 6, 2009, Koç Holding A.Ş. acquired shares equivalent to 9,358,233.99 Turkish lira (in nominal value) owned by Teknosan Büro Makina ve Levazımı Tic. ve San. A.Ş.
- On November 9, 2009, Ali Koç sold shares equivalent to 6,175,838 Turkish lira (in nominal value) on the ISE and no longer holds any direct interest in company shares.

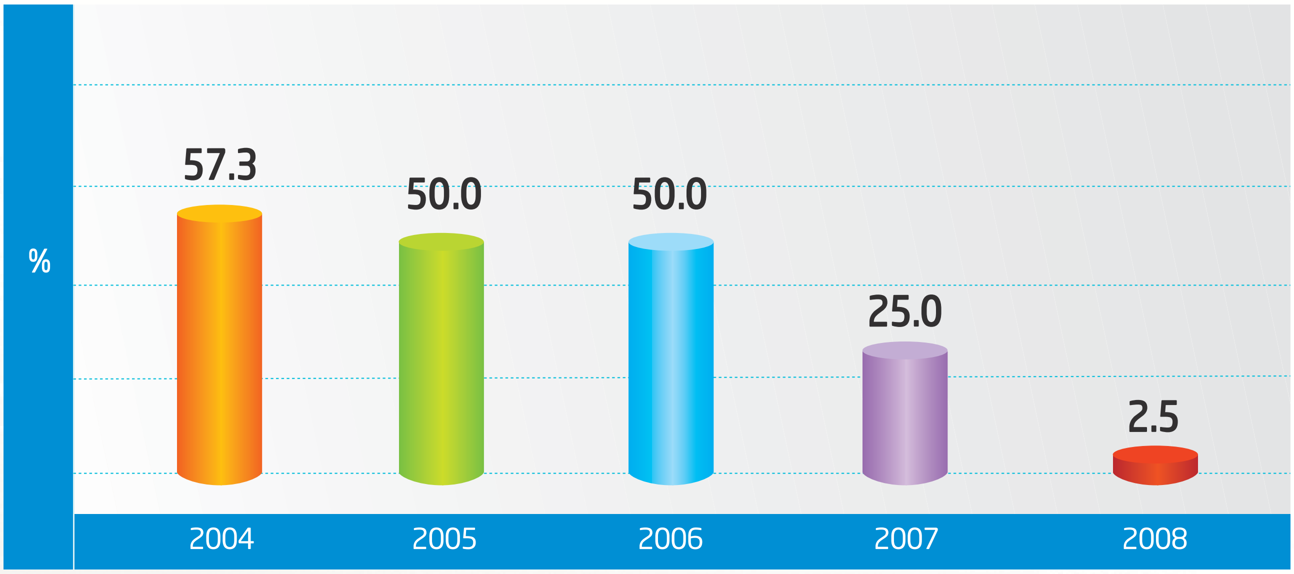


Dividends Paid

Distributed profits on earnings of 2004 through 2008 and their respective distributable earnings and equity ratios are as follows:

Dividend Term	Issued Capital (TRY thousands)	Distributed Profits (TRY thousands)	Gross Share Dividends of 1 TRY in Nominal Value (TRY)	Dividend Ratio (%)	Earnings (TRY) per Share of TRY 1 in Nominal Value
2004	399,960	229,177	0.573	57.3	0.769
2005	399,960	199,980	0.50	50.0	0.780
2006	399,960	199,980	0.50	50.0	0.81045
2007	399,960	99,990	0.25	25.0	0.39445
2008	399,960	9,999	0.025	2.5	0.0995

The ratio of dividend to equity per year



Regarding profit distribution, the company adheres to a consistent and balanced policy considering the interests of the company and its shareholders according to the company's corporate governance principles.

Profit distribution is based on the company's policy that "the average distributed profits proposed by the board of directors for approval at the General Shareholders Meeting will not be less than 50 percent of the company's distributable profits in the long term, to the extent that applicable regulations and requisite investments allow."

Share Performance

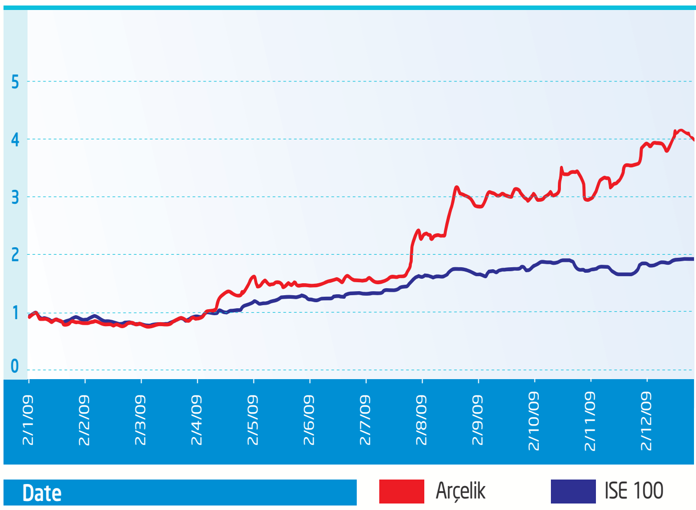
Company shares have been traded on the ISE since January 1986. The chart below summarises the performance of company shares on the ISE for the last five years.

Share Data	2009	2008	2007	2006	2005
Lowest price (TRY) (*)	1.20	1.04	5.40	5.33	3.78
Highest price (TRY) (*)	5.95	5.68	8.50	8.56	6.34
Year end price (TRY) (*)	5.85	1.54	5.82	5.71	6.14
Year end price (TRY)	5.85	2.06	8.15	8.35	9.40
Issued Capital (TRY thousands)	675,728	399,960	399,960	399,960	399,960
Market value (TRY thousands)	3,953,010	823,918	3,259,674	3,339,666	3,759,624
Market value (USD thousands)	2,625,364	544,811	2,798,724	2,375,972	2,801,926

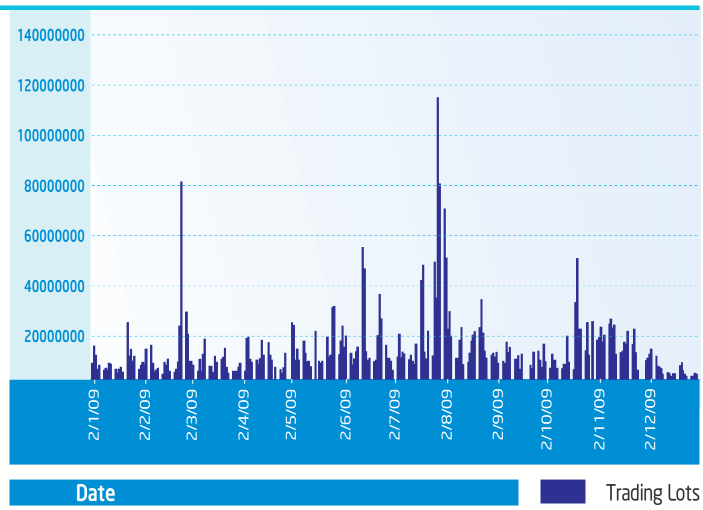
* Adjusted for Capital

The graph below displays share performance for the period January 1, 2009 through December 31, 2009. The graph also shows that the company's share price has nearly quadrupled compared to the ISE 100 index that nearly doubled during the period.

Relative performance (Initial value=1)



Daily Trading Volume for 2009



The average daily trading volume of company shares was approximately 12.3 million lots in 2009. Foreign investors held in custody approximately 71.34% of the company's shares that traded on the ISE at year-end 2009.

The paragraph below lists the ISE indexes that incorporated the company's stock as of year-end 2009. The ratio of shares held in custody used in index calculations and the weight of the company's stock on the ISE index was 22% and 0.8234%, respectively.

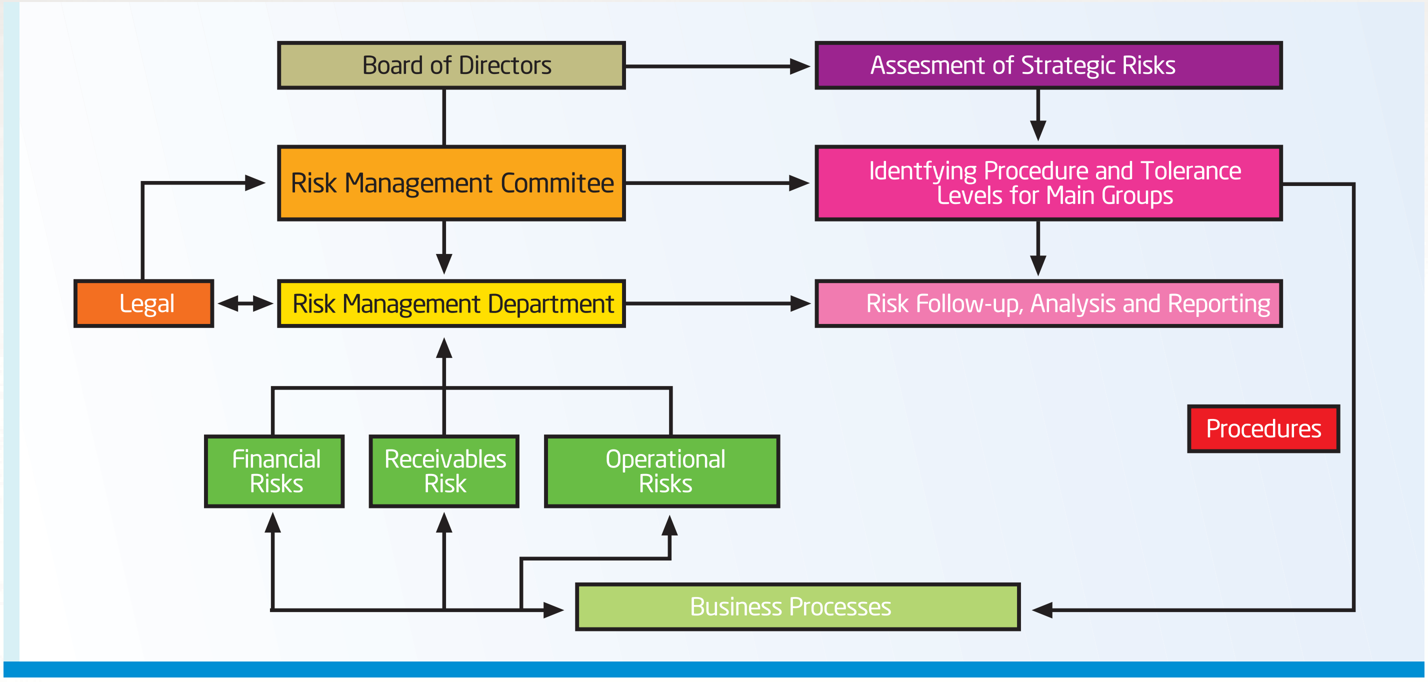
The national indexes that incorporate Arçelik A.Ş. in their calculations are the ISE 30, ISE 50, ISE 100, ISE ALL, ISE Corporate Governance, ISE Industrial, ISE Metal Goods, Machinery, and ISE Istanbul. In addition, the GT-30 Turkish Greek Index also incorporate Arçelik A.Ş.

On July 30, 2009, SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. determined that the company's corporate governance rating was 8.21 out of 10 (82.10%). More information is provided in the Corporate Governance Principles Compliance Report. As a result of the rating, the ISE Corporate Governance Index began incorporating the company stock in its calculations beginning July 31, 2009.

Risk Management

Arçelik A.Ş. employs a holistic approach to risk management. In this context, all strategic, operational, and financial risks to include any area of risk in achieving the company's short and long-term targets are assessed from the board level to all levels of the organization. The responsibilities of risk management within Arçelik are summarized in this chart.

Risk Management Organization and Responsibilities



Risk management is an integral part of all business processes. In other words, managing risks is tantamount to managing business processes. Therefore, practices related to risk management are executed within the company to the extent possible rather than being outsourced to other companies or consultants. Therefore, one of the key tasks of process owners is to manage their related risks. According to the board of directors' assessments and decisions on strategic risks, the Risk Management Committee determines the procedures to be implemented and integrated with the business processes of the main risk groups. Process managers implement these procedures by integrating them into their routine workflows.

Moreover, the company's Risk Management Department provides process owners with technical support in managing their risks. The department monitors risks emerging within each group, performs risk analyses using standard methods, and provides reports. Operational risks, one of the main risk groups, are comprehensively assessed, beginning from raw material procurement to production, sales and after sales.

Receivables risk, another important risk group, is managed by local credit risk management committees within the Group companies together with the central credit risk management committee, which is comprised of the company's top management. The Group has coverage under consolidated insurance policies for any losses caused by risks related to receivables and to various operational risk branches managed by process owners. In addition to international policies, different benefit schemes are also available to minimise receivables risk. In addition, financial assets, i.e., letters of guarantee and letter of credits, along with real estate mortgages are also used in this regard.

The principles implemented for financial risks, another main risk group, are as follows:

Liquidity Risk

Sound management of the balance sheet and cash flows eliminates any risk of insolvency. Therefore, the company closely aligns receivables due dates with payables in order to maintain the parent company's balance sheet ratios, i.e., the acid-test ratio, at certain levels to preserve short-term liquidity.

Interest Rate Risk

Due to the impact on rate-sensitive assets and liabilities, interest rate fluctuations create a significant risk pertaining to financial results. The company manages this risk by using various balance sheet methods that match the amounts and tenors of rate-sensitive items or by engaging in derivative instruments whenever necessary. Consequently, the company emphatically matches the renewal periods of rate gaps in addition to the aging periods of receivables and payables.

In order to reduce the impact of interest rate fluctuations, the company carefully matches the rate renewal periods of financial assets and liabilities while observing the intrinsic balance of the fixed/variable rates and short/long terms.

Exchange Rate Risk

Because Arçelik A.Ş. operates a widespread marketplace geographically, the company's business activities involve various currencies. Accordingly, the exchange rate risk constitutes one of the most significant financial exposures. The basic principle in managing this risk is to operate in such a way that currency exchange fluctuations affect the least amount of risk or to maintain an almost zero foreign exchange position.

The company monitors the exchange rate risk in the operating currency of each subsidiary. Targeted limits apply to those positions falling within a given range of the total equity. In addition to the ratio of exchange position to equity, further risk limits apply to the parent company's financials based on Value at Risk (VAR) calculations. As is the case for other risk categories, the company preferably employs various balance sheet methods to the extent possible in managing the exchange rate risk. However, the company also engages in financial derivatives if warranted in order to maintain the exchange risk at targeted levels.

Brands

Target Market; The Globe

arçelik

The leading, innovative, and technologically superior brand in Turkey's white goods market
The first brand that comes to mind in Turkey
An extensive product range including white goods, built-in products, electronic products, air-conditioners, ready-made kitchens, and small home appliances
The strongest sales and after sales services network in Turkey

BEKO

A brand that provides intelligent solutions to the needs of diverse consumers in both international and Turkish markets, offering free-standing and built-in household appliances, small home appliances, air conditioners, and electronic products - enhancing the quality of life

Blomberg seit 1883

The 127-year-old German brand that combines technology with practical and environmental features in an aesthetic design, giving customers selections of various free-standing and built-in household appliances - with its slogan, "In Harmony with Your Life"

arctic

A long-established local brand in Romania, with a 99% brand-recognition rate
A leader in the white goods market in Romania

GRUNDIG

A 65-year-old, strong German electronics brand with high brand awareness in Turkey and Europe, with a rich product line consisting of consumer electronics and personal care products

ALTUS A budget brand in durable goods for consumers to meet their needs in the most economic way.

FLAVEL A white goods brand in the U.K. and Ireland markets.
A free-standing and built-in product range, creating economic solutions for consumers.

elektrabregenz The 117-year-old, long-established Austrian brand
One of the best known brands in Austria's white goods industry.

LEISURE A traditional brand in the U.K.'s free-standing cooker market,
presenting both traditional and contemporary designs for range cookers in gas, electric or dual-fuel models, hobs and built-in appliances.

arstilmobilya A brand with a vast product range of furniture and home textiles, promoting the quality of life.

International Markets

Undisputed leader in the **white goods market** in both Turkey and Romania.

Second leading player in the **U.K.** market.

Among the first five players in Western and Eastern Europe.

Beko was among the world's **top ten white goods brands** in eight main product segments in 2009.

International Markets

White Goods

White goods sales in Europe, Arçelik's main export market, fell behind in 2009. Market research showed a decline of around 4 percent in Western Europe and close to 25 percent in Eastern Europe. As a result of this economic climate, with industry demands falling dramatically, tax reductions were put into effect to boost local demand in additional markets other than Turkey's. Arçelik A.Ş. tapped into new distribution channels in the company's main export markets, especially in Western Europe. Consequently, Arçelik was one of the companies in the industry that showed the most improvement in market shares.

Beko

Beko, Arçelik's international brand, also continued a steady growth in markets around the globe in 2009, despite market shrinkages.

Beko improved its market shares significantly, especially in Western European markets for six main white goods segments: refrigerators, freezers, washing machines, tumble dryers, dishwashers and ovens. At the same time, Beko further reinforced its position in Eastern European markets.

- In the U.K., Europe's largest white goods market, Beko leads the refrigerator, freezer and oven segments with 19 percent, 16 percent and 12 percent market shares, respectively. In the washing machine segment, the company's market share doubled, compared to that of 2008, nearly reaching 17 percent. Beko boosted its position among leading brands in the market, thanks to a high sales volume in all the main product segments, and climbed to the number two spot in the U.K. market.

Beko is the U.K. market leader, with a **19%** market share in refrigerators, a **16%** market share in freezers, and a **12%** market share in ovens.

In 2009, Beko created the "Intelligent Solutions" series - a redesign of its product portfolio to better meet the needs of the market and to respond to different consumer preferences.

Ever-changing consumer expectations and lifestyles have expanded the demand for built-in products in international markets. Offering intelligent solutions to make life easier for consumers, Beko upgraded its model range in built-in products in 2009. To customers world-wide in a major launching campaign - a first in Turkey - Beko introduced its new series of built-in product lines to include nearly 180 models in various categories: ovens, extractor hoods, stoves, dishwashers, microwave ovens, refrigerators, and freezers.

In September 2009, for customers in Hungary, Beko introduced refrigerators with voice recorders, washing machines that remove pet hair, and dishwashers with a baby care feature.

Beko achieves a high sales performance by developing quality and consumer-focused products and by expanding their sales points to reach consumers. In world markets, Beko continued opening the "Beko Exclusive Stores" in 2009 as well. Newly opened stores in Austria, Afghanistan, Ghana, Algeria, Azerbaijan and Chechnya offer Beko customers a wide product range, customer-focused products, and reliable after sales services.

Introducing products manufactured with high technology at select trade fairs worldwide, Beko was again awarded in 2009 by many of the world's leading organisations for the brand's innovative designs, reliability, and green technology. At the same time, respected European consumer magazines continued to place Beko among the top white goods brands.

Turning its Digital Signage system into a product in 2009, Arçelik A.Ş. has also installed the Beko LCD TV and Digital Signage (DS) systems at soccer league stadiums for Liverpool, Sheffield United and West Bromwich Albion in the U.K.

Arctic

Arçelik's local brand in Romania, Arctic supplies the most fitting solutions to consumer demands and needs. As the oldest and strongest brand in that country, Arctic continued its leadership in Romania in 2009 with a market share of over 30 percent while holding a 43 percent share in refrigerators and a 27 percent share in washing machines. Arctic reaches out to consumers in Romania with a value-added, family-like approach to services- comfortable, cheerful, and exciting. The brand not only possesses the most widespread distribution points in Romania but has built the most predominant after sales services network. Focusing on customer services, Arctic continued to achieve value-added services for both its consumers and partners in 2009.

As a result, "Arctic. For you" was launched, whose program includes the "Arctic Expert Line," a before and after sales services platform, educational materials to assist customers in purchasing and using products, and a special page on the Arctic Web site aimed at business partners.

This program established Arctic as the first white goods brand in the local market to offer before and after sales services to customers through a direct line: the "Arctic Expert Line."

Arctic is the market leader in Romania with a share of **over 30%**

A **27% market** share in the washing machine segment

A **43% market** share in the refrigerator segment

Elektrabregenz

The 117-year-old, long-established Austrian brand, Elektra Bregenz joined the local brands of Arçelik A.Ş. in 2002.

One of the best known white goods brands in Austria, with an 89 percent brand-recognition rate in 2005.

Elektra Bregenz renewed its product range in 2009 and introduced A++ energy class products to the market in the refrigerator segment. The brand has also added new products to its built-in product series to match consumer expectations in the Austrian market.

Widely perceived by consumers as aesthetically creative and green technologically superior, the long-established award-winning Elektra Bregenz brand is available to customers in every sales channel in Austria.

Blomberg

In 2009, Blomberg celebrated its 126th anniversary. Having a mission to market products harmonious to all aspects of life, Blomberg introduced its new product range with the company's "In Harmony with Your Life" slogan. Blomberg offers products "In Harmony with Nature," with energy and water-efficient green features; "In Harmony with Your Home," with aesthetic designs; and "In Harmony with You," with innovative and practical features to make life easier.

Reaching a total of 50 markets from the U.S. to China, Blomberg launched its new product line, with customers from a variety of markets participating. Among the products that attracted great interest were an A class, 30 percent energy-saving washing machine; a built-in oven operating with innovative Surround Flow (SURF) cooking technology; a four-door refrigerator with superior technological features; and a glass-door refrigerator awarded a design prize in the U.S. In 2009, launching its dishwasher that uses 7 litres of water, Blomberg once again proved its commitment to the environment.

Introducing its new product range in 2009 continued with local launching campaigns, trade fairs and road shows. The "Blomberg Truck" travelled to nine countries throughout the year displaying free-standing and built-in products. Consumers in those countries showed tremendous interest as the "Blomberg Truck" appeared at the IFA exhibition, which is held every year in Germany.

Consumer Electronics

Grundig

Founded in 1945 in Germany, Grundig has vigorously represented Germany's overall brand image throughout the years with the company's product quality and customer approach and has reached a 94 percent brand awareness in Germany. In line with its mission to maintain steady growth by good reasons ("for a good reason") it provides to consumers, Grundig reached a market share of 5 percent in the LCD TV market in Germany in 2009.

Grundig has proven to be a brand that specializes in high performance, quality and durability with know-how cultivated over a number of years. The consumer is the focal point of the brand.

The Grundig brand is sold in 63 countries under the umbrella of Arçelik A.Ş. and is among Germany's foremost brands, with wide recognition outside Germany as well, especially in the Balkan, Scandinavian and Baltic countries.

To strengthen its technological product range focusing on LED TVs in 2010, the brand plans to reach its growth targets in both consumer electronics and non-TV electronic products and personal care products, in keeping with its mission. Moreover, Grundig has also shown its environmental sensitivity by adding green products to its range such as the EU-registered Vision Eco-LCD models, manufactured from 80 percent recycled materials with 48 percent energy savings. Internationally awarded in 2009, Grundig has once again proved that the company sets goals in design above the rest.

Turkish Market

Becoming more visible in the last quarter of 2008 and expanding all over the world, the economic crisis continued its impact in 2009, troubling the Turkish market extensively. According to market data from the White Goods Industrialists Association of Turkey, the white goods industry declined by 4.5 percent in 2009. Having the widest services network in Turkey with nearly 3,600 authorized dealers and 600 after sales services points, Arçelik A.Ş. sustained its leadership position in the white goods, air-conditioner and television markets in 2009.

White Goods

In March 2009, the Turkish government's decision to reduce the private consumption tax (PCT), aiming to lessen the effects of the crisis, mobilized and enlivened the white goods industry until the end of June. With positive outcomes in the refrigerator segment among others, the company's sales through the end of September - when the PCT reduction ended - allowed the year to close much better than forecasted. However, the vitality in the market fell in the last quarter, compared to the spring and summer months, with the reduction coming to an end.

The downsizing of the air-conditioner market in 2008 continued in 2009 as well. Together with the consequences of the economic crisis, the summer season, being cooler than expected, hindered a recovery in demand. Market growth especially continued in 2009 for inverter air-conditioners, with superior features such as low-energy consumption levels, quieter operations than standard on/off models, and heating even at minus 15°C.

The built-in product market, unimpeded by the economic crisis, kept growing. As a priority in homes, kitchens in older houses were remodeled with built-in products, speeding up the transition from free-standing to built-in series. As new housing projects had increased in recent years, consumers were offered kitchens with built-in products, which played a major role in market growth.

Consumer Electronics

In the TV category, the transition to flat screen TVs picked up speed and continued to show market growth. While the CRT TV market declined by 60 percent, the LCD market grew by 36 percent. But this growth couldn't fully compensate for the decline in the market on the whole. Considerable discounted prices for LCD panels and intense competition proved ineffective in matching the increased rate in LCD TV production to the rate of its increased market value.

In this product segment where technology progresses rapidly, Arçelik responded to consumer expectations even faster by transferring the company's energy efficiency know-how - the brand's main competitive advantage in white goods - to the TV segment with the company's Eco-Panel LCD models.

Newly added to the product range are Eco-Panel LCD TVs, high-contrast LCD TVs, LED LCD TVs and 200 Hz Full HD LCD TVs. Together with products receiving digital broadcasts, Arçelik has continued to put on the market new digital satellite receiver products for both standard definition (SD) and high definition (HD) broadcasts.

In 2009, the Grundig brand LCD TVs were distributed to Arçelik and Beko dealers as well as to other sales points.

At the same time, the Digital Signage system has become a unique product and is now found in cinemas in Turkey.

Arçelik

For many years, Arçelik has been "the first brand that comes to mind" for Turkish consumers. With innovation as the mainstay of its outreach, the company has continually marketed consumer products that are distinguished as the "one and only in the world." Supporting a global performance with energy efficient products, Arçelik led in the energy-saving segment with products that respect the environment. Consuming 30 percent less energy than similar 8-kg capacity and A energy class products, the "world's most energy-efficient washing machine" was launched.

Launching the Eco-Panel LCD TV and the energy-saving Inverter Air Conditioner demonstrated that Arçelik is in constant communication with consumers. Activities to widen the energy-efficient inverter segment continued in the air conditioner product range. The growing use of heating alongside cooling resulted in introducing the Super Invertech Air Conditioner, a product demonstrating greater performance, less energy consumption and more comfort. This air conditioner model moved ahead because of 60 percent less energy consumption compared to similar air conditioners.

To attract consumers, Arçelik presented the new built-in oven series to include the "most silent and most energy-efficient built-in ovens in the world" and new models of aesthetic extractor hoods and induction hobs. An innovative pioneer, Arçelik marketed the most water-efficient (7 litres) and most silent washing machine in the world for consumers in 2009.

A tradition that strengthens the responsive connection between consumers and the Arçelik brand, the 2009 "Dere Tepe Türkiye" road show - ongoing since 2005 - was held in 30 cities throughout Turkey. Products were displayed in the "Arçelik Truck," as green products in particular took center stage.

Beko

New products were launched for the Beko brand following the philosophy of "Intelligent Solutions." Turkey's first 9-kg washing machine, the XL9, was introduced to the market. This model attracted interest because of the product's capacity to wash a 9-kg load of laundry while consuming 10 percent less energy than A class washing machines. The XL9 washing machine especially makes washing home items such as quilts easier and is the best solution for larger families. This product has also gained prominence with the model's time-saving, quick wash feature.

Preventing the formation of lime scale on washing machine heaters, the "washing machine with nickel resistance" was another innovation launched for consumers not only in Turkey but also in international markets.

In June 2009, Turkey's first four-door refrigerator model, the 14610 SBS, was also put on the market. Consisting of three compartments, this refrigerator has a single-unit design cooling cabinet that allows easy storage of large containers while one of the two freezer cabinets in the lower compartment may be used either as a cooler or freezer, thus having a intelligent solution for different needs.

New designs were initiated in 2009 in manufacturing all built-in oven and stove product series. While all ovens were moved to the A energy class, interior oven capacities and tray sizes along with oven cooking areas were enlarged. Illustrating a family image, the series was introduced to consumers in June, which boosted sales of built-in products. Although 2009 was a year of economic recession, Beko still achieved a 15 percent rise in built-in product sales. Offering innovative products, the company moved ahead by influencing consumers to select higher quality products.

Plants

Arçelik A.Ş. extends products to consumers in over 100 countries with eleven manufacturing plants in Turkey, Romania, Russia, and China.

With a "sustainable development" approach parallel to its vision, Arçelik A.Ş. focuses on protecting and sustaining the environment and natural resources in all operations. Arçelik keeps environmental effects under constant control during a product's life cycle through processes that begin at the design stage, conducting R&D and developing designs to that end. Arçelik A.Ş. aims to develop and market products that are resource and energy efficient, technologically innovative in design, and easy to use.

With all processes created through Total Quality Management (TQM), Arçelik A.Ş. integrates and performs the company's operations according to Environmental, Occupational Health and Safety Management systems. Utilizing product design, high production technology and international quality standards, Arçelik carries out projects in cost reduction, quality, and process improvement by implementing Total Productive Management (TPM) and Six Sigma methodologies at the company's plants. A flexible production structure widens the company's competitive advantage every day.

Arçelik has the highest capacity single campus facilities in the world and in Europe. The company's technology capacity produces the market's "first"s and most"s." The facilities maintain a production quality recognized by esteemed organizations and manufacture the world's most energy and water efficient, most silent, and fastest products in diverse categories, from refrigerators to washing machines, from tumble dryers to LCD TVs.

- Refrigerator Plant, Eskişehir, Turkey
- Washing Machine Plant, Istanbul, Turkey
- Cooking Appliance Plant, Bolu, Turkey
- Dishwasher Plant, Ankara, Turkey
- Electric Motors Plant, Çerkezköy, Tekirdağ, Turkey
- Tumble Dryer Plant, Çerkezköy, Tekirdağ, Turkey
- Compressor Plant, Eskişehir, Turkey
- Electronics Plant, Beylikdüzü, Istanbul, Turkey
- Refrigerator and Washing Machine Plant, Kirzhach, Russia
- Cooling Appliances Plant, Gaesti, Romania
- Washing Machine Plant, Changzhou, China

Innovation

Arçelik A.Ş. develops its own technology, therefore rising to prominence in the industry as a global competitor. Because R&D goes hand in hand with the company's strategy. Arcelik's vision - "Respects the globe, respected globally" - constitutes the essence of the company's strategic perspective.

Therefore, R&D activities at Arçelik A.Ş. are shaped in parallel with the company's strategy and growth targets. Products appropriate to target markets are backed up with competitive technologies, optimized designs, and green approaches to energy and water consumption and sound power levels.

In line with the company's vision, the R&D program is to simply design and manufacture easily affordable products that follow these basic precepts: respect the environment; advance consumer comfort; fulfill consumer needs both now and in the future; comply with international standards; and make a competitive difference. The company's investments in research and technology and product development date back to the late 1980s. With over 20 years of experience in R&D, Arçelik A.Ş., breaking new ground both in Turkey and in the industry, brings to consumers "green" products with new and improved features.

With respect to R&D, Arçelik is by far one of the most innovative companies in Turkey, constantly reviewing and improving production processes to accomplish R&D activities compatible with international standards. In addition to individual ingenuity, inventive techniques and capable research methods are put into practice to facilitate group creativity. Recently, one of the company's most successful implementations was the Russian methodology of the "Theory of Inventive Problem Solving" (TRIZ). Using this method, a team of competent engineers achieves a solution faster and more directly while protecting their original solution with a patent during the project's life cycle. Being the first to use the TRIZ methodology in Turkey, Arçelik was invited to the "International TRIZ Conference" to share the company's successful implementations.

"Electronics" Comes to White Goods

Closely following new advances in ever-changing technologies and fostering the company's own product technology, the Arçelik R&D centers have continually introduced an array of innovations to consumers.

Since the beginning years of the company's first R&D activities, Arçelik has given priority to energy-efficiency, green products, and consumer needs - the three key drivers of the industry - while staying abreast of a new development called "electronically controlled appliances."

The rapidly unfolding and advancing synergy between electronics and mechanics has improved drive systems together with manipulating algorithms and sensor technologies. This has facilitated the "mosts" in product development - the "most" energy-efficient, fastest washing, the "most" water-efficient, and the "most" silent products. In addition, advanced programs and display technologies now in use within products equal both greater comfort and visual quality like the one-touch dishwasher and many more innovative products now on the market.

The quintessential combination of electronically controlled products and indoor communication technologies, the "Smart Home" is the home of the future. In collaboration with Türk Telekom, this innovation reached fruition under a pilot project and is now on display in the Smart Home Showroom.

Energy Efficiency and Respect for the Environment

Here are some of the exemplary products emanating from our green approach.

At the Dishwasher Plant: The fastest, most water-efficient and most silent dishwasher was launched - a first in the world.

At the Cooking Appliances Plant: A project to give a new look and to deploy newer technologies to built-in ovens that reduces costs and improves product efficiency was successfully completed. Under this project, all ovens are now in the A energy class. Moreover, the most energy-efficient and most silent oven in the world has now been manufactured.

At the Refrigerator Plant: The first A++ no-frost refrigerator, the "Black Orbital" was manufactured. This refrigerator has the lowest energy consumption in its class in the world, with an amazing black design in the white goods industry. Since 2004, Arçelik is still the proud manufacturer of the most energy-efficient refrigerators worldwide.

At the Dryer Plant: In the clothes dryer segment, Europe's "one of the most energy-efficient tumble dryers" has been manufactured. Receiving the Eco Top Ten Energy award and a Plus X award for innovation, this product has been chosen as the "Best Tumble Dryer" by leading consumer magazines in both Germany and Belgium.

At the Washing Machine Plant: Consuming 30 percent less energy than any A energy class product, the "Economist" washing machine series - a first in the world - was launched. A successor to this product was also introduced: a washing machine with 50 percent more energy efficiency than A energy class products. Now the world's "fastest washing machine," with only a 14-minute cycle, has been manufactured. In fact, the entire product range has been upgraded to A+ and A++ energy classes.

At the Electronics Plant: Aligned with the "strategy to be a green and nature-friendly company," the Eco-Panel LCD TVs with 45 percent energy savings and zero energy consumption in standby mode were manufactured and introduced in the market. Designing green products complying with the Energy Star label and other eco-label standards is both intuitive and sustainable. In this regard, EU standardization studies have been closely followed. In addition to less energy consumption, the transition to water-based paints has been achieved, resulting in paint materials being 30 percent recyclable.

Consumer Electronics

In parallel with progressive technologies in the consumer electronics industry, both research and new product development at the Electronics Plant have continued. In keeping with Arçelik's vision, "Respect the globe, respected globally," innovative products are being designed with new generation imaging, sound, broadcasting, and communications technologies, not only meeting but also surpessing international standards pertaining to energy, the environment, and ergonomics.

Linked to new imaging technologies, LED TVs include the newest technologies to provide more energy-efficient and thinner products with greater colour, contrast and sharpness controls. Introduced in the market, the LED TV is now a leading competitive product. With smoother, sharper and clearer images, this 200 Hz product has been developed with imaging improvements. In addition, flexible infrastructures are now being worked for 3D televisions of the future, accomplished in collaboration with international universities and industrial organizations under DIOMEDES, a project of the EU Seventh Framework Programme.

For improving sound quality, special algorithms working in real-time to strengthen perception of low and high frequency sounds have progressed. Studies are now focusing on issues that would bring more depth to sound and would enrich auditory imagery.

Along with the rapid expansion of digital broadcasting, an integrated television has been created that does not require any additional device to receive both cable and terrestrial broadcasting. These quality televisions are capable of viewing and recording high-resolution HD broadcasts. Studies on coding systems that protect content rights are also being conducted. In this regard, a leading position in the market is made possible by collaborating with broadcasting organizations. And studies on adding satellite broadcasting receivers to integrated televisions are ongoing.

Flexible, simple and visual interfaces are being worked to give viewers a different kind of television experience. Considering disabled consumers as well, studies are being carried out under VICON, another project of the EU Seventh Framework Programme.

With the Internet becoming increasingly more important as broadcast media, Arçelik endeavors to afford customers more opportunities to hear sound bites and full broadcasts via the Internet. For outdoor use, Internet visual applications are now more advanced for use at various locations such as shopping centers, stores, banks, stadiums, and restaurants.

Aimed at the retail and services industries, new cash register models have been created to provide customers with smaller, more aesthetic, and easier-to-use products. Cash registers for retail stores and fuel stations are now able to store financial data in an electronic environment. Reducing paper consumption, these newly advanced products are more sensitive to the environment, more efficient in making reports, and easier to use for customers.

Our Strategic Power - Intellectual Capital

Believing human resources to be the most important capital, Arçelik A.Ş. has seven distinct R&D centers equipped with strong infrastructures and over 700 R&D employees.

Knowing that strategic power comes through patents, Arçelik A.Ş. is the unequivocal leader in patent applications in Turkey, with 30 percent of the total patent applications filed under the Patent Cooperation Treaty (PCT). Every year the company files nearly 130 new patent applications. In 2008, Arçelik became the only Turkish company among the first 500 companies listed by the World Intellectual Property Organization (WIPO).

In 2009, the company's 11th Annual Invention Day was held. At the "Istanbul 2009 Patent Days" awards, Arçelik A.Ş. was awarded first prize for filing the maximum number of patent applications in Turkey between 1995 and 2008.

2007 RANKING	POSITION CHANGED	APPLICANT'S NAME	COUNTRY OF ORIGIN	PCT APPLICATIONS PUBLISHED IN 2007	INCREASED OVER 2006
101	35	ARCELIK ANONIM SIRKETI	TR	143	47

With the company's systematics and written reports - literally thousands today - Arçelik's knowledge has gained even greater momentum, facilitating faster technology and product development. Excerpts from these scientific reports have been presented for discourse at both national and international conferences. Moreover, Arçelik is the number two company among private organizations who contribute information to the "Scientific Publications Map of Turkey," prepared by the Scientific and Technological Research Council of Turkey (TÜBİTAK).

Arçelik A.Ş. is also invited to many international meetings because of results attained through noteworthy accomplishments in R&D and technology. Esteemed in Turkey because of the company's highly competent R&D capacity, Arçelik was invited to the "Turkish R&D Day," an event organized by the Turkish Research and Business Organisations (TUR&BO) and the Alliance of Liberals and Democrats for Europe (ALDE) at the European Parliament in Brussels.

University and Industry Cooperation

Successfully achieving university and industry cooperation as Turkey's first example of corporate association, Arçelik A.Ş. has presently contributed to 107 theses by esteemed university lecturers, thus affording opportunities for scientific approaches and academic knowledge to R&D projects, further benefiting both the company and universities.

The company has carried out long-term projects with university students at the start of their internships. Having completed their theses at Arçelik A.Ş., aided by the knowledge and guidance of their university supervisors, 71 engineers were employed in different departments within the company.

Exemplifying university and industry cooperation, a master's thesis and a PhD thesis, supervised by the R&D Directorate, received recognition in 2008 at the "Dr. Akın Çakmakçı Awards: Success Stories of Theses Applied in Industry," a competition sponsored by the Technology Development Foundation of Turkey (TTGV). This award strengthened cooperation between universities and industries and encouraged commercializing R&D university projects.

With the company's collaborative experience with universities, institutions, and scientific organizations, a network has been created throughout Turkey and abroad. Arçelik A.Ş. has been one of the leading companies whose R&D departments have attended the EU's research programmes. The company completed one EUREKA project and two EU Framework Programme projects. In addition, five projects of the EU Seventh Framework Programme and two EUREKA projects are currently ongoing.

A Strong R&D Team
Innovative and **Advanced Technology**
Patent Champion
Green Approach

Blue Light
Anti-bacterial
Filtre

EcoFuzzy

Multizone
Compartement

A Energy
Performance

Multi-Zone Compartment

- 610-litre volume
- The multi-zone compartment, with 77 litres of convertible volume, may be used as a freezer or refrigerator as needed by pressing a single touch-button.

EcoFuzzy

- The eco-fuzzy feature allows additional energy savings when the refrigerator is not in use and comes with a beeper to let you know when the door has been left open.
- The temperature in each compartment is adjusted with electronic controls to select “fast freezing” or “fast cooling.”
- LED illumination in the cabinet and a touch control display on the door.
- Fingerprint-free stainless steel “Inox” doors and door handles with a sleek design.

Energy Performance

- Class A energy performance with R600a, an environmental refrigerant gas.

4-Door Refrigerators

Blue Light - Anti-Bacteria Filtering - Silver Ion Coating - Ionizer System

- “Active Fresh Blue Light Technology” keeps vegetables and fruits fresh for extended periods; anti-bacterial filtering systems eliminate unwanted odours; silver ion coating systems on inner surfaces prevent bacteria forming; ionizer systems eliminate bacteria and supply air to keep food items fresh for longer periods.
- Practical and ergonomic use with a single-piece glass shelf, 80cm wide.

Dishwasher

"The most silent in the world"

- The world's quietest dishwasher with a 39-decibel noise level

One-Touch Dishwasher

- A unique technology that reduces dishwashing to a single button.

11 Different Sensors

- "Dirt Sensor" analyzes how unclean the dishes are and chooses the most appropriate washing programme with the lowest water and energy consumption.
- "Water Hardness Sensor" adjusts the hardness level.
- "Load Sensor" determines the amount of water necessary by the number of dishes in the machine.
- An advanced variable-speed engine applies high water pressure for washing and low for rinsing, with hand washing sensitivity and high performance.

Built-In Ovens

Surround Flow (SURF) Cooking Technology

- Hot air from the turbo heater distributed inside the oven through back and side walls for smoother cooking - perfect for baking.
- Specially designed back and side walls, with horizontal hot air circulation above and below oven trays, allow three separate dishes to cook simultaneously without mixing flavours and comes with detachable side walls for easy cleaning.

Energy Performance

- Energy-saving performance by cooking three dishes simultaneously.
- The most energy-efficient built-in ovens in the world, consuming 30% less energy than standard ovens in the A energy class.

Oleophobic Nano Coating

- An innovative and pioneering technology with no applications in the home appliances industry, the interior glass of the front door with oleophobic nano coating is easier to clean and comes with a dirt-repellent feature.

43-dBA Noise Level

- The quietest built-in oven in the world with a 43dBA noise level.

Innovative Products

Finearts LED TV

GOOD DESIGN

- 40” FHD +100Hz Edge LED, brilliant colour reproduction and greater picture sharpness with the latest panel technology
- A customer-defined timing feature for a USB Personal Video Recorder (PVR) allowing pausing and recording of digital broadcasts
- DVB-T and DVB-C, allowing reception of terrestrial and cable digital broadcasting
- Winner of the “Good Design” award for its 16mm housing depth and aluminium design

Small Screen MPEG-4 LCD TV

- A small screen LCD TV with MPEG-4 reception, among small screen products in Europe
- USB feature that plays HD content

Audiorama Speakers

- Received the iF Product Design Award in the “Audio and Video Category”
- Perfect harmony in 360° sound technology and design

200Hz Technology

- Four times faster and sharper image quality with 200Hz technology

Corporate Social Responsibility Approach

Individuals as well as governments and non-governmental organizations (NGOs) must do their share in using the globe's limited resources more cautiously in order to cultivate and sustain these resources. Hence, Arçelik A.Ş. takes on the responsibility in the company's operations of leaving a more habitable world to younger generations. The company's concept of corporate social responsibility entails principles of accountability for "Sustainable Growth" with sensitivity towards the environment and society and with operations completely compatible with laws, moral values and human rights.

Arçelik A.Ş. draws strength from the belief of our founder, the late Vehbi Koç, who said that "I exist as long as our country exist." Therefore, the company strives to fulfil its responsibilities towards its employees and business partners.

Arçelik A.Ş. publishes a yearly "Sustainability Report" as a part of the company's operations in economic, social and environmental areas. This report covers the company's development and manufacture of innovative and green products, the improvement of social standards, effectual corporate governance, human rights and ethical work principles as well as the company's sustainable profitability.

Corporate Governance Approach

Arçelik A.Ş. is guided by the company's corporate values and culture, moral principles, concepts of effective governance and the principles of ethics in business.

Accountability, responsibility, openness and transparency, and equality are the four principles comprising Arçelik's corporate governance. In parallel with international business standards, these principles safeguard the trust between stakeholders and institutions and undoubtedly amplify the company's productivity and success.

Arçelik A.Ş. realizes that "right" corporate governance is quintessential to keeping the promises made to the company's stakeholders, especially to investors in order to maintain trust and stability. Meetings with corporate investors are a clear demonstration of Arçelik's successful implementation of corporate governance principles. The company not only capitalizes on its financial results and sound financial structures to achieve profitability targets but also manages its "corporate reputation," an important asset cultivated over many years.

1. Compliance with Corporate Governance Principles

1.1. Compliance with Corporate Governance Principles

Implementing and putting into practice the Corporate Governance Principles issued by the Capital Markets Board (CMB), effective July 4, 2003, by Resolution No. 35/385 and announced in July 2003, are vital particularly to the credit-worthiness and financial capability of publicly-traded companies. Arcelik A.Ş. has adopted these principles, exemplifying the quality of corporate governance. According to the CMB Resolution No. 48/1588, dated December 10, 2004, companies must disclose their compliance with corporate governance principles in annual reports and on their web sites, if any, starting with the 2004 annual reports for companies listed on the Istanbul Stock Exchange (ISE). Subsequently, Arçelik A.Ş. set up a task team to investigate compliance with these principles; as a result, new information has been disclosed in the company's annual reports and on its web site since 2004. The company's effort to establish full compliance on some of the issues is still in progress. When OECD revised its 1999 corporate governance principles in 2004, the CMB updated its principles accordingly to ensure consistency with the OECD. Therefore, Arçelik A.Ş. prepared its 2009 Corporate Governance Principles Compliance Report in line with these revised corporate governance principles.

Authorized in Turkey to issue ratings according to the principles of the CMB Corporate Governance Principles, SAHA Corporate Governance and Credit Rating Services, Inc. (SAHA) reported the Arçelik A.Ş. corporate governance rating as 8.21 (82.10 percent) out of 10. The four main categories - shareholders, public disclosure and transparency, stakeholders, and the board of directors - were each given separate scores to determine the rating according to the resolutions of the CMB in this regard.

The corporate governance rating is distributed according to these main categories:

Sub Categories	Weight	Rating
Shareholders	0.25	8.55
Public Disclosure and Transparency	0.35	8.71
Stakeholders	0.15	9.52
Board of Directors	0.25	6.37
Total	**1.00**	**8.21**

As a result of this rating, Arçelik A.Ş. was added to the ISE Corporate Governance Index on July 31, 2009.

1.2. Corporate Governance Principles Not Yet Implemented

Arçelik A.Ş. believes in the importance of full compliance to corporate governance principles. However, full compliance has not yet been achieved due to challenges in implementing some of the principles together with ongoing discussions in Turkey and in international platforms on compliance with certain principles and the failure of current markets and corporate structures to meet these principles in the proper manner.

There are some principles open for improvement as stated in the Corporate Governance Ratings Report prepared by SAHA on July 30, 2009. Arçelik A.Ş. has prepared an action plan for complete compliance and is keeping up with its efforts toward this end.

1.3. Compliance Efforts within the Period

Arçelik A.Ş. continued its efforts and made major improvements towards compliance with corporate governance principles throughout 2009.

The first major improvement was to amend the Articles of Association with the following resolutions approved at the General Shareholders Meeting on March 25, 2009:

Article 14 - The board of directors will create councils, committees and subcommittees from its own members or non-members for any issues deemed appropriate.

The board of directors will assign, manage or replace the principles regarding meetings, operations and reports by the chairman or members of the committee.

Article 22 - General Shareholders Meetings will be open to stakeholders and to the media without the right of active participation.

Article 25- General Shareholders Meetings will be announced three weeks prior to the meetings.

Article 32 - General Shareholders Meetings will be held with the participation of at least one member of the board, one auditor, one officer responsible for preparing financial statements and one person who is amply familiar with the issues to make comments. The Chairman of the meeting is to inform the General Assembly about the reasons of their absence.

Another important development was to move the 2009 Ordinary General Shareholders Meeting to an earlier date. The Ordinary General Shareholders Meeting was held nine days earlier than last year's meeting.

These improvements were accomplished according to the Corporate Governance Rating Reports:

A decision was taken to provide more information to shareholders by the presidential board chairman of the General Shareholders Meeting. Important decisions of the board of directors were published on the web site. Information and documents to be debated at the General Shareholders Meeting were included in the disclosure policy. The annual report was improved with respect to corporate governance principles. Persons able to access insider information were listed in the Corporate Governance Principles Compliance Report.

Arçelik A.Ş. will uphold all efforts to implement improvements and processes according to legislation to preserve the company's compliance with these principles.

2. Investor Relations

Compliance with legislation, the Articles of Association , and internal regulations are observed when shareholders exercise their rights, while measures are taken to protect these rights. Arçelik A.Ş. manages shareholder relations through the Assistant General Manager of Finance and Accounting. The primary objective of the company regarding this issue is to ensure that shareholders fairly and reliably exercise their right to obtain information. The company exercises shareholder rights stemming from the partnership as a whole and without delay.

Investor Relations Primary Responsibilities:

- Ensuring that shareholder information is maintained and updated in a secure and reliable manner;
- Responding to shareholders' written or verbal inquiries of company information with the exception of confidential information and trade secrets not disclosed to the public;
- Ensuring that the General Shareholders Meeting is conducted according to law, the Articles of Association and internal regulations;
- Prepaing all necessary documents for the General Shareholders Meeting;
- Recording voting results and sending the results to shareholders upon request;
- Observing and monitoring all issues regarding public disclosures including applicable legislation and the company's disclosure policy;
- Attending meetings held at the company headquarters as well as other domestic and international meetings arranged by various organizations in order to inform investors;
- Informing analysts evulating the company;
- Responding to information inquiries from academics who are researching the company and the industry;
- Preparing Turkish and English versions of the investor relations page on the company's web site (www.arcelikas.com); updating the page whenever necessary; and ensuring simple online access to company information for shareholders;
- Filing material event disclosures with the ISE through the Public Disclosure Platform (PDP), according to CMB Communiqué Serial VIII, No. 54;
- Following up on amendments to the Capital Markets Law and to other applicable legislation and informing related departments of these amendments; and
- Representing the company at the CMB, the ISE and the Central Registry Agency (CRA).

Arçelik A.Ş. Staff Members in Charge of Investor Relations:

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Summary of Actions to Provide In-depth Information to Investors on the Company's Operations in 2009:

Investor Disclosures in 2009

• Number of investor meetings attended domestically and abroad	**3**
• Number of investors met with	**130**
• Number of teleconferences disclosing 2008 year-end and 2009 first-half results	**5**
• Number of domestic and international press conferences	**6**

3. Exercising Shareholder Rights to Obtain Information

There is no difference between shareholders regarding accesing and examining company information. To improve the shareholders' rights to access information and to ensure reliability in shareholders exercising their rights, financial statements and other related information and documents are continuously updated and provided on the company's web site (www.arcelikas.com) both in Turkish and in English.

During this accounting period, information requests by shareholders were answered orally or in writing according to the Capital Markets Law and without preferential treatment to any shareholder. In 2009, action was taken on behalf of 52 shareholders who were not able to receive their dividends and had not participated in capital increases in previous years.

According to the PDP, material event disclosures required by the CMB along with financial statements and other information regarding the company are sent via electronic environments with electronic signatures.

Arçelik A.Ş. dematerialized the company shares traded on the ISE after registering with the CRA, an agency established to observe dematerialization of securities. Moreover, the company entered into an agreement with Yapı Kredi Menkul Değerler A.Ş. to complete shareholder functions with the CRA. The company's operations are periodically audited by an independent auditor (Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a member of PricewaterhouseCoopers) as well as by internal auditors elected at the General Shareholders Meeting. The Articles of Association do not contain provisions for appointing a special auditor. During the reporting period, no request was made of the company to appoint a special auditor.

4. General Shareholders Meeting Information

All shares comprising the company's capital are nominative. A briefing document regarding the agenda is prepared and announced through the company's web site prior to the General Shareholders Meeting. According to the Articles of Association, General Shareholders Meetings are open to stakeholders and the media but without the right of active participation.

Arçelik A.Ş. held two General Shareholders Meetings in 2009. The company's 2008 operations were discussed at the Ordinary General Shareholders Meeting held on March 25, 2009. Of the 39,996,000,000 outstanding shares, 35,552,949,222 (81.39%) were represented at the General Shareholders Meeting. According to the Turkish Commercial Code (TCC), Article 451, and the Corparete Tax Law, Articles 18-20, a resolution was passed at the Extraordinary General Shareholders Meeting on June 29, 2009 to merge with the company's subsidiary, Grundig Elektronik A.Ş., by taking over all of Grundig's assets and liabilities in whole. Of the 65,993,400,000 outstanding shares, 54,546,444,107 (82.65%) were represented at the Extraordinary General Shareholders Meeting. The company's shareholders, either directly or by proxy, stakeholders, and the media attended the meeting. Several intermediaries and representatives of banks providing settlement and custody services also attended as observers. Questions from shareholders were answered during the meetings.

- According to the Articles of Association, the General Shareholders Meeting was announced three weeks in advance in two national newspapers, in the Turkish Commercial Registry Gazette, and on the company's web site in an effort to reach the highest possible number of shareholders.
- All announcements comply with corporate governance principles.
- Starting on the invitation date of the General Shareholders Meeting, financial statements and reports, including the annual report, the proposal for dividend distribution, information on the agenda of the General Shareholders Meeting, supplementary documents pertaining to the agenda, the current Articles of Association, the text and justification of amendments, if any, to the Articles of Association are all made available to shareholders at the company headquarters and on the web site for the convenience and open review of shareholders.
- The company prepares a clear agenda of the General Shareholders Meeting to avoid any misunderstandings.
- Sample power of attorney statements are in the announcement and posted on the company's web site for shareholders represented by proxy.
- Voting procedures are announced to shareholders in the meeting and electronically before the date of the General Shareholders Meeting.
- In 2009, the company did not receive requests from shareholders for any additional items to be included on the agenda.

Arçelik has not planned any future significant changes in the company's management or operational organization. All changes are disclosed to the public according to law.

The company holds General Shareholders Meetings at a minimum cost to its shareholders. In this respect, the company is also committed to implementing the simplest procedures so as not to encourage inequality among shareholders. Measures are taken to enable the easy participation of shareholders both domestically and abroad. In addition, all necessary documents are translated into English to inform foreign shareholders of the General Shareholders Meeting about agenda. These documents are sent via banks responsible for the custody and settlement transactions of shareholders and put on the web site.

The company makes every effort to hold meetings close to the city center for greater participation and convenience. The number of participants over a period of years is tracked, and the meeting location is determined based on the number of participants. The Ordinary General Shareholders Meetings on March 25 2009 were held at Divan City, Büyükdere Cad. No: 84, Gayrettepe, Istanbul. The Extraordinary General Shareholders Meeting was held at Rahmi M. Koç Müzesi, Hasköy Caddesi No: 5 Hasköy, Istanbul, on June 29, 2009. The layout characteristics of the venues where meetings were held accommodated the participation of all shareholders. Invitations to the General Shareholders Meetings are given by the board of directors according to the provisions of the TCC, Capital Markets Law and the Articles of Association. The decision by the board of directors to convene the General Shareholders Meeting is announced to the public via disclosures filed with the ISE.

CMB regulations require that financial statements are disclosed within 14 weeks of the fiscal period's closing. However, Arçelik A.Ş. discloses its financial statements well in advance of this deadline. The 2009 year-end financial statements were disclosed within eighth week. Following the disclosure of financial results, the company starts preparations for the General Shareholders Meeting and upon completion of the necessary legal procedures, the meeting is held. The General Shareholders Meeting convenes within three months following the end of the fiscal period. The company scheduled March 17, 2010 as the date of General Assembly to discuss company operations for 2009. At the General Shareholders Meeting, agenda items are communicated to shareholders in a manner that is detailed, objective, and comprehensible. These agenda items are discussed with shareholders, affording them equal opportunity to make any inquiries and share their views. The shareholders are also given the opportunity to make comments and recommendations regarding the remuneration of the company's directors and officers. Shareholders who place themselves on the blocked shares list may attend the General Shareholders Meeting to express their opinions, ask questions and have these questions answered. The shareholders' votes on the agenda items are recorded in the meeting minutes.

Each agenda item is voted on separately. The General Shareholders Meeting is held under the supervision of a representative of the Ministry of Industry and Trade.

The General Shareholders Meeting has authorized the board of directors to purchase, sell and lease material assets as well as to make donations and grants. The Articles of Association include relevant provisions permitting this authorization. Because of the impracticality of holding a meeting for every transaction, this authorization is more viable so that transactions may be expedited in competitive markets to avoid missed opportunities.

The minutes of the General Shareholders Meeting are posted on the company's web site and are also made available to shareholders at the company's headquarters. The shareholders are provided with a copy of the minutes upon request.

5. Voting and Minority Rights

Arçelik A.Ş. announces voting procedures to shareholders at the beginning of all General Shareholders Meetings. The company avoids procedures that would make voting difficult and provides each shareholder, including those living abroad, with the opportunity to exercise their voting rights in the simplest and most convenient way.

The company's Articles of Association do not provide any special privileges for voting. Each share equals a single vote. The shareholders do not include any legal entity that is a subsidiary of Arçelik A.Ş. The Articles of Association do not contain any provisions preventing a non-shareholder from voting by proxy.

Minority shareholders attend the General Shareholders Meetings and comprise the company's management in the same manner as majority shareholders. The Articles of Association do not provide for cumulative voting.

6. Dividend Distribution Policy and Deadline

According to corporate governance principles, Arçelik A.Ş. adopts a dividend policy that seeks a balance between the interests of both the shareholders and the company.

Arçelik A.Ş. has determined its dividend policy as follows: "To the extent permitted by applicable legislation and our investment requirements, long-term average dividends proposed at the General Shareholders Meeting by the board of directors should not be less than 50 percent of the company's annual distributable profit." The company's dividend policy is reported in the annual report and announced on the company's web site.

The company distributes its profit according to the TCC and the Capital Markets Law and within statutory time limits. At the Ordinary General Shareholders Meeting held on March 25, 2009, a decision was taken for a bonus share distribution of 9,999,000 Turkish lira at 2.5 percent, and were distributed as of May 4, 2009.

The Articles of Association do not grant any special privileges regarding dividend distribution.

According to the Articles of Association, the board of directors may distribute dividends in advance, provided that this action has been authorized by the General Shareholders Meeting and complies with the requirements of the Capital Markets Law and CMB regulations. The authority to distribute dividends in advance, granted to the board of directors by the General Shareholders Meeting, is limited to the year when the authorization was issued.

7. Transfer of Shares

The Articles of Association do not include any provisions complicating or restricting the transfer of shares.

8. Company Disclosure Policy

The Arçelik A.Ş. disclosure policy for informing the public was brought to the shareholders at the Ordinary General Shareholders Meeting on March 25, 2009 and published on the company's web site. The disclosure policy is updated in light of new regulations.

Purpose

As a leading global player in the durable goods industry both in Turkey and abroad, Arçelik A.Ş. has adopted a disclosure policy to inform the shareholders and stakeholders of all company activities in a fair, transparent, complete and comprehensible manner. The disclosure policy aims to equally share past performances, expectations, strategies and non-confidential company targets and the company's vision with all current and potential investors and shareholders and to announce all financial information related to the company in a timely and detailed manner, according to generally accepted accounting principles and the provisions of the Capital Markets Law.

Arçelik A.Ş. fully complies with the Capital Markets Law and relevant regulations of the ISE and applies the most effective communication policies according to the CMB Corporate Governance Principles as the company follows an active and transparent disclosure policy.

Authorization and Responsibility

The board of directors shapes the disclosure policy with its recommendations. Monitoring and developing public disclosure activities and the public disclosure policy are the responsibility of the board of directors at Arçelik A.Ş. The Finance Directorate and Corporate Communications Directorate have been commissioned to coordinate the disclosure functions. Both of these directorates are under Assistant General Manager of Finance and Accounting. These departments execute their responsibilities in close cooperation with the board of directors and the audit committee.

Methods and Instruments

Arçelik A.Ş. follows these methods and instruments for public disclosures and information policies according to Capital Markets legislation and ISE and TCC provisions:

1. Disclosure of Material Events are sent to the ISE. (English translations of these disclosures are simultaneously shared with foreign investors in electronic environments and are released on the company's web site in English and Turkish.)
2. Financial tables (and footnotes), independent auditor's report and declarations are sent to the ISE periodically. (These reports are simultaneously released on the company's web site; copies of annual reports and financial presentations are also available.)
3. Annual reports (are available on the official web site and in hardcopy.)
4. The company's web site (www.arcelikas.com)
5. Announcements are made via the Turkish Commercial Registry Gazette and daily newspapers.
6. Ad hoc press releases are published throughout the year according to events; periodic press releases are published through broadcast and print media channels.
7. Disclosures are made to information providers such as Reuters, Foreks and Bloomberg.
8. Face-to-face or teleconference meetings are held with investors and analysts.
9. Communication methods and instruments are executed via telephone, email, fax, etc.
10. Catalogues, circulars, announcements and other documents are available as required by Capital Markets regulations.

Material Event Disclosures

Arçelik A.Ş. material events disclosures are prepared by the Finance Directorate and the Legal Department and sent to the ISE after being signed by any two of the following signatories: General Manager, Assistant General Manager of Finance and Accounting or the Finance Director. The other Assistant General Managers and Accounting Directors are authorized to sign when the other signatories are not available. The material event disclosures are sent to the ISE via fax and in electronic environments in PDP format.

Public Disclosure of Financial Statements

Financial statements of Arçelik A.Ş. are prepared according to the provisions set by the CMB and are subject to independent auditing prior to public disclosure, according to the International Standards on Auditing (ISA). Following the audit committee approval according to the Capital Markets Law, financial statements and their footnotes are presented to the board of directors for approval prior to public disclosure. They are then sent to the ISE, according to the Capital Markets Law and ISE regulations, after their authenticity is confirmed by the General Manager or the Assistant General Manager in charge of Finance and Accounting or the Accounting Director. Turkish and English versions of the current and previous financial statements and their footnotes may be accessed on the Arçelik A.Ş. web site. Investor Relations Department also periodically issues memorandums or presentations on financial data and ratios, which are distributed electronically on the web site for a better understanding of the company's financial information.

Annual Report

The annual report is prepared according to international standards, Capital Markets legislation and the CMB Corporate Governance Principles. The report is approved by the Board of Directors before disclosure to the public and provided in Turkish and in English, in the web site. Investor Relations Department provides hard and soft copies in CD format.

Corporate Web Site

Stakeholders may access the most detailed and current information through the Arçelik A.Ş. web site using the site's convenient tools like graphics and calculators that allow easy viewing of comprehensive content and stock performances. Most of the analyses, assessments, retrospective data and history as well as current information may be accessed on the web site in Turkish and English.

List of accessible items on the web site:

- Detailed information on corporate identity
- Vision and strategies
- Information on the Board of Directors and executive management
- Important resolutions of the Board of Directors
- The company's organizational and partnership structure
- Articles of Association
- Trade Registry information
- Financial statements, indicators, and analyses
- Press releases
- CMB material event disclosures
- Information, graphics and calculators for stocks and performances
- Presentations for investors
- Information on evaluating analysts and reports from analysts
- Date of General Shareholders Meeting, agenda, briefing document on agenda.

- Minutes of the General Shareholders Meeting and list of attendees
- Sample of power of attorney
- Corporate Governance Practices and Compliance Report
- Dividend distribution policy, history, and capital increases
- Disclosure policy
- Frequently asked questions
- Detailed information on corporate social responsibility
- Ethical rules disclosed to the public as a part of the disclosure policy

Announcements via the Turkish Commercial Registry Gazette and daily newspapers:

As a requirement of the Capital Markets Law, the TCC and the Articles of Association, announcements related to General Shareholders Meeting, capital increases and dividend payments are made through the Turkish Commercial Registry Gazette and daily newspapers. The General Shareholders Meeting is announced in advance at least three weeks through newspapers and web sites to reach the maximum number of shareholders.

Starting on the invitation date of the General Shareholders Meeting, financial statements and reports, including the annual report, the proposal for dividend distribution, information on the agenda of the General Shareholders Meeting, supplementary documents pertaining to the agenda, the current Articles of Association, the text and justification of amendments, if any, to the Articles of Association are all made available to shareholders at the company headquarters and on the web site for the convenience and open review of shareholders. The company drafts a clear agenda of the General Shareholders Meeting to avoid any misunderstandings.The company's agenda at the General Shareholders Meeting includes the following: discussing and casting ballots on financial statements; relieving members of the board of directors and the auditors from any liability regarding the accounts and operations of the company; electing the board of directors and auditors whose terms are stated in the Articles of Association; determining the number of board members and their remuneration; selecting independent auditors for the current year in question; establishing dividend distribution and dividend distribution policy; amending the Articles of Association; presenting the Corporate Governance Principles Compliance Report and disclosure policy; and miscellaneous items. Sample power of attorney statements are announced and posted on the company's web site for shareholders represented by proxy.

Ad hoc press releases are published throughout the year according to events; periodic press releases are published through broadcast and print media channels.

Arçelik A.Ş. Corporate Communications Directorate provides detailed information to the public on important events throughout the year by providing press releases to broadcast and print media. The company organizes press conferences to release information to the press and the public, both domestically and internationally, depending on the nature of events, throughout the year. The general manager or other top management give a detailed and informative presentation to members of the press from both the broadcast and print media and answer questions regarding events at Arçelik A.Ş. In addition to regular press conferences, ad hoc press releases on significant events pertaining to the company may be sent to media organizations. This may be accomplished through a press conference, depending on the nature of the events. Any questions or requested information by the press concerning these events or general business questions are received in writing and subsequently answered.

Disclosures to Information Sharing Organizations such as Reuters, Foreks and Bloomberg

All written public disclosures that Arçelik A.Ş. shares with the broadcast and print media are sent to those organizations, and all members of the press are invited to press conferences when appropriate.

Meetings and Talks with Investors and Analysts

An Investor Relations Department headed by the Assistant General Manager of Finance and Accounting manages the company's relations with existing and potential shareholders and replies to inquiries from investors in the most propitious way to increase corporate value.

In their efforts to provide information on the company's operational and financial performances to include the company's vision, strategies and goals, the top management and the Investor Relations Department meet with brokers, analysts and investors frequently and prepare Q&A charts and summaries to promote the company in the best possible way. All meeting requests from shareholders are fulfilled with opportunities for meetings at the highest levels. Shareholders and analysts may closely follow events concerning the company through informative memorandums provided to the shareholders on the company's web site, which is updated regularly. For this purpose invester meetings are athended in and out Turkey. Questions are answered these meetings. Teleconferance are held after financial statement and material event disclosure. Investor presentations are prepared and put on web site.

Disclosures of Forthcoming Statements

Periodically, Arçelik A.Ş. will make announcements about prospective events. Written prospective disclosures are based on certain assumptions. The actual outcomes may show a dramatic change in the previous forecasts due to risks, uncertainties and other factors. Investors are informed of these variances.

Following up News and Rumours about Company

The company monitors both broadcast and print media on a daily basis using media monitoring agencies. Relevant news items are reported to top management and the contents of the news items are reviewed. Top management also monitors local and international news about the company through information agencies such as Reuters, Bloomberg, and IBS.

If the company wishes to make a disclosure about a news item or a rumour in the media, even if not obliged to do so, the Assistant General Manager in charge of Finance and Accounting may address the issue and publish a disclosure.

In principle, a disclosure is not released if news items are insignificant to internal information. However, Corporate Communications Department may still decide whether the news is in the interest of the company to publish a disclosure.

False News and Hearsay

In principle, no comments are given if news does not originate with Arçelik A.Ş. or if news is evidently false or hearsay. However, the company may publish a disclosure if deemed necessary to protect the interests of the company and its investors.

News Regarding Information Postponed for Disclosure at a Later Date

When information that is withheld to protect the interests of the company is leaked despite all attempts to the contrary, Arçelik A.Ş. remains silent in principle. However, the company may publish a disclosure if deemed necessary to protect the interests of the company and its investors.

During postponement, no statement or comment is made. The company may express that the information will not be released during the postponement process.

Measures to Ensure Confidentiality before Internal Information is Disclosed to the Public

When special conditions arise, Arçelik A.Ş. employees and other parties with whom they communicate are warned as to the confidentiality of the material event until a disclosure has been made to the ISE.

In principle, Arçelik A.Ş. and people working on behalf and on account of Arçelik A.Ş. are not at liberty to share any information related to what may be considered a “material event” that has not yet been disclosed to the public under any circumstance. If any information has been released to third parties inadvertently and if believed that this information cannot remain confidential according to the Capital Markets regulations, then a “material event statement” is immediately released.

When a disclosure is postponed, persons who have knowledge of the information pertaining to the disclosure are listed, and the “List of Persons Who Can Access Internal Information at Arçelik A.Ş.” is updated, accordingly. Moreover, precautionary measures are taken to advise those persons who do have or may have this information, accordingly.

Criteria Used for Determining Employees with Administrative Responsibilities

Employees with administrative responsibilities who have access to internal information are determined based on the information they are authorized to access.

Accordingly, managers and other personnel who have partial or limited knowledge of internal information are not considered “persons who have access to internal information.” However, members of the Board of Directors, the General Manager, Assistant General Managers and other top managers working at the headquarters who have knowledge of the entire company and its current and future plans are regarded as persons with access to internal information.

Based on this criteria, a list of these persons is disclosed to the public according to relevant CMB provisions.

Maintaining Confidentiality of Information Due for Disclosure to the Public

The company places great emphasis on the use of insider information in order to maintain a balance between transparency and protection of the company’s interests. All precautionary measures are taken to prevent the use of insider information. “Principles of Business Ethics,” documented and distributed to all employees, clearly articulates appropriate business ethics for all Arçelik A.Ş. employees.

Any information acquired during the course of employment or belonging to the company, or deemed undesirable to share with third parties or considered commercial secrets are regarded as “company information.” All employees are required to protect company information during and after their employment with the company. Moreover, they may not use this information either directly or indirectly. Employees at Arçelik A.Ş. are prohibited from engaging in activities that would generate commercial gains from trading shares of Arçelik A.Ş. or of other Koç Group companies based on insider information obtained during the course of their employment.

Before a disclosure of term-end results is made available to the public, Arçelik A.Ş. conducts a “silent period” when company employees refrain from sharing any information with the public. This period starts three weeks prior to the disclosure of year-end results and two weeks prior to the disclosure of quarterly results.

The Arçelik A.Ş. Board of Directors, corporate management, overseas companies' management, appointments, and severances executed in 2009 and disclosed to the public through a material event disclosure are as follows:

Board of Directors	
Rahmi M. Koç	Chairman of the Board
Dr. Bülent Bulgurlu	Vice Chairman
Robert Sonman*	Member of the Board
Mustafa V. Koç	Member of the Board
Semahat S. Arsel	Member of the Board
Temel K. Atay*	Member of the Board
M. Ömer Koç	Member of the Board
Y. Ali Koç	Member of the Board
A. Gündüz Özdemir	Member of the Board
Levent Çakıroğlu	Member of the Board

*Temel K. Atay and Robert Sonman are also members of the committee of auditors.

Board of Auditors

İnanç Kiraz

Serkan Özyurt

The Board of Directors and Board of Auditors were elected at the Ordinary General Shareholders Meeting by resolution on March, 25, 2009.

Top Management	
Levent Çakıroğlu	Arçelik A.Ş. General Manager
İsmail Hakkı Sağır	Assistant General Manager, Production and Technology
Dr. Fatih Kemal Ebiçlioğlu	Assistant General Manager, Finance and Accounting
Şirzat Subaşı	Assistant General Manager/Sales - Turkey, Middle East, Africa, and Turkic Republics
Tülin Karabük	Assistant General Manager/Sales-Europe, America, Asia-Pacific

Levent Çakıroğlu

Arçelik A.Ş. General Manager

Mr. Çakıroğlu began his professional life at the Ministry of Finance as an assistant accounting specialist in 1988. In 1998 he joined Koç Group as Accounting Coordinator. He went on to serve as General Manager of Koçtaş between 2002 and 2007 and General Manager of Migros between 2007 and 2008. He has been working as the General Manager of Arçelik A.Ş. since August 2008.

İsmail Hakkı Sağır

Assistant General Manager, Production and Technology

Mr. Sağır began his career as a project engineer at the Arçelik A.Ş. Refrigerator Plant in 1980 and has been working at Arçelik A.Ş. as the Assistant General Manager of Production and Technology since May 2009.

Dr. Fatih Kemal Ebiçlioğlu

Assistant General Manager, Finance and Accounting

Dr. Ebiçlioğlu began his career at the Ministry of Finance as an assistant accounting specialist. He has been working at Arçelik A.Ş. as the Assistant General Manager of Finance and Accounting since 2005.

Şirzat Subaşı

Assistant General Manager/Sales-Turkey, Middle East, Africa, Turkic Republics

Mr. Subaşı began his professional life at Beko Ticaret A.Ş as sales represantative in 1986. He has held his current position since May 2009.

Tülin Karabük

Assistant General Manager/Sales-Europe, America, Asia-Pacific

Ms. Karabük began her career as the regional manager of the Eastern Block Countries at Ekom Eczacıbaşı Dış Ticaret A.Ş. in 1987. She has held her current position since September 2009.

Appointments

Şirzat Subaşı, Assistant General Manager/Sales-Turkey, Middle East, Africa, Turkic Republics
Appointed on May 1, 2009

İsmail Hakkı Sağır, Assistant General Manager-Production and Technology
Appointed on May 1, 2009

Tülin Karabük, Assistant General Manager/Sales-Europe, America, Asia-Pacific
Appointed on September 1, 2009

Severances

Fredrik Ulf Janson, Assistant General Manager, International Marketing and Sales, departed the company on January 13, 2009.

Atilla İlbaş, Assistant General Manager, Production and Technology retired on April 30, 2009

All material event disclosures are published on the company's web site in Turkish and English simultaneously.

The company's top management or with their knowledge and sanctioning and authorized personnel in the Finance Directorate respond to inquiries from outside the company. Presentations provided to analysts for easy assessment are released to the public via the company's web site following the disclosure of financial statements.

According to Capital Markets legislation, securities traded within the last year are disclosed and published on the company's web site when these transactions are performed by the Board of Directors, Managers or shareholders who directly or indirectly hold a 5 percent share of the company.

The company prepares consolidated financial statements and their footnotes according to the Capital Markets Board, Communiqué Serial. XI, No. 29, and discloses them to the public following an independent audit.

Annual Reports are prepared according to Capital Markets Legislation and Regulations and the CMB Corporate Governance Principles, Chapter II, Article 3.2.2.

9. Material Event Disclosures

The company made 32 material event disclosures in the fiscal period. There were no requests for additional explanations from the CMB and/or the ISE regarding 2009 disclosures. The company is not required to make any material event disclosure other than those made to the ISE since the company does not have any securities listed on foreign stock exchanges. The company made all material event disclosures on time and therefore was not subject to any sanctions by CMB.

10. The Company's Web Site and Content

In an effort to maintain effective and fast communications with shareholders, the company actively uses its corporate web site at www.arcelikas.com, according to the requirements of the CMB. The CMB Corporate Governance Principles, Chapter II, Article 1.11.5, are available on the web site prepared in English and Turkish. The Finance Directorate prepares, updates and make additions to web content for Investor Relations. Every effort is extended to ensure uninterrupted web site operations.

11. Disclosure of Sole Proprietorship and Ultimate Controlling Shareholder(s)

A disclosure of Sole Proprietorship and Ultimate Controlling Shareholder(s) would be of no consequence. Information of the Koç family members as ultimate controlling shareholders is common knowledge.

12. Disclosure of Insiders

Arçelik A.Ş. places great emphasis on the use of insider information in order to maintain a balance between transparency and protecting the company's interests. All precautionary measures are taken to prevent the use of insider information. "Principles of Business Ethics," documented and distributed to all employees, clearly articulates appropriate business ethics for all Arçelik A.Ş. employees.

Any information acquired during the course of employment or belonging to the company, or deemed undesirable to share with third parties or considered commercial secrets are regarded as "company information." All employees are required to protect company information during and after their employment with the company. Moreover, they may not use this information either directly or indirectly. Employees at Arçelik A.Ş. are prohibited from engaging in activities that would generate commercial gains from trading shares of Arçelik A.Ş. or other Koç Group companies based on insider information obtained during the course of employment.

Company managers are required to make disclosures to the public about trading shares if their positions in the company allow access to information that may affect the value of capital market instruments. These disclosures are also published on the company's web site.

List of Persons Who May Obtain Insider Information

Name, Surname	Position
Rahmi M. Koç	Chairman of the Board
Dr. Bülent Bulgurlu	Vice Chairman
Robert Sonman	Member of the Board, Member of the Committee of Auditors
Mustafa V. Koç	Member of the Board
Semahat S. Arsel	Member of the Board
Temel K. Atay	Member of the Board, Member of the Committee of Auditors
M. Ömer Koç	Member of the Board
Y. Ali Koç	Member of the Board
A. Gündüz Özdemir	Member of the Board
Levent Çakıroğlu	Member of the Board, General Manager
İnanç Kiraz	Auditor
Serkan Özyurt	Auditor
İsmail Hakkı Sağır	Assistant General Manager, Production and Technology
Dr. Fatih Kemal Ebiçlioğlu	Assistant General Manager, Finance and Accounting
Şirzat Subaşı	Assistant General Manager/Sales-Turkey, Middle East, Africa, Turkic Republics
Tülin Karabük	Assistant General Manager/Sales-Europe, America, Asia-Pacific
Ali Tayyar	Accounting Director
İhsan Somay	Accounting Director
Sibel Kesler	Budget, Reporting and Analysis Director
Türkay Tatar	Finance Director
Ertuğrul Evren	Accounting Manager
Gökhan Otaç	Accounting Specialist
Kemal Ersalıcı	Accounting Specialist
Alparslan Görgülü	Consolidation Manager
Özgür Ölmez	Consolidation Specialist
Erdem Topoyan	Consolidation Specialist
Nesrin Cengiz	Budget Manager
Hande Sarıdal	Treasury Manager
Levent Arasıler	Financial Markets Specialist
Sinem Yılmaz	Investor Relations Specialist
Hümeyra Özener	Reporting Manager
Burcu Bekar	Reporting Staff
Bülent Alagöz	Capital Markets Regulation Compliance Manager
Turhan Sarı	Capital Markets Regulation Compliance Specialist
Beril Egemen	Assistant to the General Manager
Haluk Yalçın	Independent Auditor, Limited Partner, Chief Auditor
Cihan Harman	Independent Auditor's Staff
Bora Akgüngör	Independent Auditor's Staff
İlke Koca	Independent Auditor's Staff
Ozan Matur	Independent Auditor's Staff
Janberk Ersan	Independent Auditor's Staff
Ayşe Pınar Tekinşen	Independent Auditor's Staff
Mert Özpoyraz	Independent Auditor's Staff
Özcan Hınçal	Certified Public Accountant

Part III: Stakeholders

13. Disclosure to Stakeholders

Third parties directly involved with Arçelik A.Ş. are the company's stakeholders. The company advises its stakeholders on matters of interest through meetings or via communications channels. Fully aware of the long-term benefits associated with stakeholders, the company respects and protects their rights established by legislation, mutual agreements, and charters. The company's corporate governance structure allows all stakeholders, including employees and representatives, to express their concerns regarding illegal or unethical practices. A network of over 3,600 dealers constitute a major stakeholder group directly connected to the company. Arçelik holds regular Authorized Dealers Meetings throughout the year to keep dealers up to date on policies, targets and economic developments as well as to foster a more advantageous system by listening to their concerns. The company also shares its strategies, policies, targets and expectations for the previous and current year with its nearly 3,500 suppliers through meetings, visits, inspections, and the supply portal.

Employee relations under collective bargaining is managed through union representatives. Arçelik A.Ş. is a member of the Turkish Metal Industrialist Union (MIU) for employers. The company's blue-collar workers are members of Union of Metal Workers of Turkey (TURKMETAL). In December 2008, MIU and TURKMETAL signed a collective bargaining agreement, effective September 1, 2008 to August 31, 2010.

14. Stakeholders Participation in Management

To encourage stakeholder and especially employee participation in company management, supporting tools and models such as suggestions and surveys have been created to boost participation without interfering with the company's operations.

Arçelik A.Ş. involves the workers union in decision making processes and obtains their approval regarding operational changes in work conditions, the environment, and employee rights. Dealers in close contact with the company through the Authorized Dealers Meetings are also encouraged to participate in company management.

15. Human Resources Policy

Respect the globe, respected globally! This vision rallies the company towards becoming global. We embrace our employees as "our most vital asset" and value them as the driving force behind a long-lasting legacy.

Arçelik A.Ş. fashioned the company's human resources principles in 2006 in harmony with the company's shared values, work ethics, and strategies. These principles to include shared values and work ethics have been translated into several languages and distributed to subsidiaries in Turkey and abroad.

The Main Principles Guiding Human Resources (HR) Policies

- The company maintains a balance between global and local HR systems and practices. As a global company, Arçelik A.Ş respects local laws and practices. If a conflict with HR policies arises, local laws take precedence.
- All HR policies are aligned with Arçelik's strategies.
- All HR processes and practices are obliged to respect and support human rights in principle. These principles call for non-discrimination and creating equality within the company. Arçelik A.Ş. does not discriminate on account of ethnicity, race, nationality, disability, political affiliation, religion, age, gender or sexual orientation.

- Fairness, consistency and reliability are the main principles of HR practices.
  The company evaluates its HR practices systematically in order to improve standards as current developments and feedback guide the HR processes. Personal data and confidentiality is always maintained. HR processes are applied in consideration of the following principles:

Industrial Relations

Arçelik A.Ş. respects employee rights to organize in unions. On the basis of mutual trust between employees and unions, the company diligently preserves the peace at the workplace by acting in conformance to laws and collective bargaining agreements. Conditions, customs, and practices indigenous to regions and countries where the company operates are considered, even if not stated in the agreements.

Industrial policies of the company regard unions as social partners not antagonists. Arçelik A.Ş. places great emphasis on maintaining good relations with unions and acting in concert with them. Better working conditions for its social partners is an important goal of the company. Accordingly, areas of social assistance such as better working conditions, occupational health and safety, maternity, marriage and meals as well as adherence to laws are provided in the agreements and are implemented.

Employee Rights of Arçelik A.Ş. Employees in Turkey According to Collective Bargaining Agreements:

- Four months salary as a bonus every year
- Payment for heating requirements
- Allowance before annual holiday
- Holiday allowance before religious holidays
- Monthly child allowance
- Allowances for occurrences such as childbirth, marriage, death, military service and education.
- Non-cash assistance for transportations and meals at company locations
- Employee annual holidays in the company according to collective bargaining agreements; holiday entitlements longer than legal periods provided to all employees both union and non-union.
- Implementation of starting positions and wages for union employees based on the type of work performed according to collective bargaining agreements.

Notwithstanding the economic crisis, precautionary measures were taken in cooperation with the workers union in 2009 to provide the highest possible protection; consequently, the impact of the crisis was minimal.

Occupational Health and Safety

Arçelik A.Ş. consistently provides guidance to its employees regarding occupational health and safety and supports communications among employees and managers. Occupational health and safety has been reorganized in keeping with legislation and the company's processes. Occupational health and safety units are placed under the supervision of HR to facilitate greater benefit and productivity to the company's processes. The Arçelik Occupational Accident Tracking Programme created with internal resources is now being used on a larger scale after the programme was improved according to requirements.

With the reorganization, related departments now track frequently occurring accidents with occupation safety experts and onsite physicians working to prevent these accidents.

Results in 2009 Compared to the Previous Year

- 36% decrease in the number of total accidents.
- 40% decrease in the number of frequently occurring accidents.

The decline in the number of occupational accidents helped reduce the number of work loss days in return. As a consequence, this improvement was achieved without a decline in the number of work hours.

Arçelik A.Ş. tracks indicators for occupational health and safety according to the company's performance management system and previously set targets. Training and seminars are an indicator of the importance that Arçelik A.Ş. places on occupational health and safety.

Arçelik A.Ş. allocated a total of 38,250 man hours for training in occupational health and safety in 2009. With the importance and support placed on this project, the company plans to continue training and awareness programs at a greater pace.

When fulfilling both present or future requirements for employees, the company offers equal opportunities to all candidates who possess the appropriate training, knowledge, skills, competencies and experience.

Having employees from 81 different universities clearly indicates the importance the company places on equality.

Total number of employees in Turkey and abroad as of 2009 year end:

Total number of employees as of 2009 year end	Total
Turkey	12,888
Abroad	4,043
Arçelik Group Total	16,931

The average seniority of employees in Turkey is 7.4 years and the average age is 33.

The company's approach to training and development aims for greater improvement in the company's and in individual performances through continuous professional development. The company emphasizes the efficient and productive use of internal resources when planning both the current and future development needs of employees.

The company allocated a total of 150,540 hours to training, average 12 hours per employee, even under turbulent economic conditions in 2009.

Arçelik believes that organizational success results from individual success. Various professional development systems are instrumental in improving employee performances compatible with the company's targets. The remuneration management approach is defined within an equitable and competitive employment policy.

The company works to heighten employee motivation, loyalty and productivity as the company aspires to implement the best processes and to encourage critical competencies. In this respect, the company recognizes achievements, inventions and suggestions and promotes them throughout the company.

A work life evaluation survey is conducted each year to build better working conditions for employees. The survey measures employee satisfaction, loyalty and dedication to the company. The results are shared with the employees, and after listening to their opinions an action plan is implemented.

16. Information on Relations with Customers and Suppliers

Costumer and supplier satisfactions are high priority and essential targets for the company. Customer satisfaction is monitored and reported regularly. The confidentiality of information pertaining to customers and suppliers is invaluable and reserved as trade secrets.

Respecting the company's operations and investments, the primary aspiration of Arçelik's Call Center is to achieve customer satisfaction at the highest possible level. The call center operates with modern services seven days a week, twenty-four hours a day with seamless communication and fast response to suggestions and requests. An additional fundamental responsibility of the call center is to contribute to the development of new products that meet customer expectations by providing an unrestricted flow of suggestions and criticisms from customers.

The Arçelik Call Center boasts of a technological infrastructure whose capacity outperforms competitors. This becomes especially evident by the varied communication channels with the company's customers. The call center is capable of immediately resolving important details of a customer's request by traditional communication channels like faxes and letters or by other modern channels such as telephones and e-mails. Raising the bar every passing day, the Arçelik Call Center also conducts surveys to better understand what actually happens in the field and uses feedback as a way to improve its operations.

The Arçelik Call Center has maintained the highest level of dialogue and customer satisfaction with the company's domestic customers since 1991. The center has now started presale and after sales services in Turkey for the Beko and Altus brands and also for Elektra Bregenz, which penetrated the Austrian market in 2008. Operations abroad expanded with the addition of a call center for the Grundig brand in Germany in 2009. Services networks abroad have grown with the call center located in Turkey providing service in the German language.

In 2009, Consumer Services working under the Consumer Services Directorate provided support at nearly 600 authorized services in 10 regional management operations with 5,300 vehicles and 12,000 employees whose 6,000 employees are technicians. Technicians are certified by Technical Services and Training Management working under Consumer Services.

Authorized services are capable of providing 10 million services annually for Arçelik A.Ş. brands. One of the distinctions of the company's services organization is the ability to handle both the delivery and installation of a product with a single service call.

17. Social Responsibility

Arçelik A.Ş. believes that corporate social responsibility is essential to the company's core business and works for "sustainable growth" . The company's social responsibility is illustrated by high quality and innovative products and services, a moral disposition respecting laws and human rights, and awareness of environmental and social needs in every industry where the company operates and with every responsibility undertaken for "Sustainable Growth." Arçelik performs the company's operations with full compliance to laws, moral standards and human rights and was one of the first companies to sign the Corporate Social Responsibility Code of Conduct prepared by the European Committee of Domestic Equipment Manufacturers (CECED).* The code of conduct guarantees sustainable performances regarding working conditions, environmental laws, and standards set forth by international agreements.

Arçelik operates with an approach focused on protecting the environment and natural resources with its partners in production and non-production processes while developing and manufacturing innovative products. During its operations, the company abides by all domestic and international legal liabilities intent on protecting the environment and human health. Arçelik regularly organizes training programs for employees to raise awareness of the environment and conducts projects with government organizations and with NGOs. The company's "sustainability" approach drives Arçelik to create and implement projects for the development of the younger generations in countries where the company operates. These projects continue with the support of both employees and partners. Exemplary of this approach to social responsibility is the "Standing United for Education with Arçelik A.Ş." programme, whose goal is to foster the individual growth of students in elementary boarding schools in Turkey. In addition to projects in education, culture and the arts, the company also sponsors sports events, contributing greatly to the growth of the community. The annual report describes these policies and operations in the "Sustainable Life" and "Innovation" sections.

In 2008, Arçelik A.Ş. prepared the 2007 Sustainability Report for employees, shareholders, authorized dealers, authorized services, suppliers and all social partners as a part of the company's operations in economic, social and environmental areas. The Sustainability Report mentions operations of Arçelik A.Ş. that focus on innovative product development and production for the protection of natural resources, improvement of community living standards, effective corporate governance, human rights and ethical work principles.

Both the annual report and sustainability report are shared with the public on the company's web site at www.arcelikas.com

* CECED was founded in 1959 and represents European manufacturers of domestic electrical appliances. The CECED organizes all industry activities pertaining to legal regulations and practices in Europe and manages the cooperation between members. Arçelik A.Ş. has been a member of CECED since 2002.

18. Structure and Composition of the Board of Directors and Independent Members

Arçelik A.Ş. is managed by a Board of Directors comprising a minimum of three members elected among the shareholders according to the provisions of the TCC and by resolution of the General Shareholders Meeting. The General Manager of the company may be elected as a member of the Board of Directors. The 2009 Board of Directors consisted of ten members. Mr. Levent Çakıroğlu serves on the board as an executive member.

Members of the Board of Directors		
Rahmi M. Koç	Chairman	Non-executive
Dr. Bülent Bulgurlu	Vice Chairman	Non-executive
Robert Sonman	Member	Non-executive
Mustafa V. Koç	Member	Non-executive
Semahat S. Arsel	Member	Non-executive
Temel K. Atay	Member	Non-executive
M. Ömer Koç	Member	Non-executive
Y. Ali Koç	Member	Non-executive
A. Gündüz Özdemir	Member	President of Consumer Durables Group
Levent Çakıroğlu	Member	General Manager

The chairman and vice chairman of the board are elected following the election of the Board of Directors at the General Shareholders Meeting. Article 315 of the TCC is applied for vacancies on the board.

According to Articles 334 and 335 of the TCC, the chairman and members of the board seek the consent of the General Shareholders Meeting to engage in, either directly or indirectly, or to own shares in any business similar to the business of the company. The company's Board of Directors does not have an independent member. All members have been elected as representatives of certain shareholders. All of the members of the board have worked in various industries for many years and are experienced in the areas of business in which the company is involved. The company takes full advantage of the knowledge and experience of the board members. The members of the Board of Directors are free to voice their opinions openly without pressure. The company has affiliates and subsidiaries operating in various industries. Trusting that the participation of the Board of Directors in the management of related companies serves the interests of the company, the board members are not subject to any rules or restrictions when assuming responsibilities in the other companies. Their roles in these companies, whose industries may be linked to Arçelik A.Ş., are considered beneficial to the interests of the company.

19. Qualifications of Board Members

The Board of Directors is structured for absolute competence and effectiveness. The Board of Directors possesses qualifications according to the Corporate Governance Principles of the Capital Markets Board, Chapter IV, Articles 3.1.1, 3.1.2, 3.1.3 and 3.1.5. The provisions of the Articles of Association regarding the qualifications of board members will be submitted for shareholder approval at the Ordinary General Shareholders Meeting on March 17, 2010.

Individuals who are nominated and elected to the Board of Directors will have knowledge and experience in the company's areas of business activities; will be able to analyze financial statements and reports; will have basic knowledge of legal regulations the company works under; and will preferably possess university educations.

20. The Mission, Vision and Strategic Targets of the Company

Company mission: Protect the values, targets and strategies of the Koç Group while developing, manufacturing, and introducing products in the market and while offering after sales services for products that simplify domestic life and that are easy to own and use and be reliable. Ensure customer and employee satisfaction and long-term loyalty, use resources efficiently, and meet stakeholder expectations while continuously improving and growing in target markets.

Company vision: Respects the globe, respected globally. Respects the globe - because we are a green company. We appreciate people. We are aware of our responsibilities. Respected globally - because our aims are higher, reaching beyond.

Main Targets of the Company

- Maintain sustainable growth
- Preserve operational profitability, above the industry average
- Enlarge the market share in the white goods industry of the world
- Improve capabilities to offer pioneering, innovative, and green products and solutions that add value for the customer
- Develop a global organization and competencies by managing diversity

The Board of Directors evaluates and approves the company's vision and main targets. These targets are announced to the public in the annual reports, on the web site and through informative meetings or statements by means of appropriate communications channels.

During the Board of Directors meetings, made periodically according to the Articles of Association the company's targets are compared and assessed with actual outcomes, including the previous year's. The current status of the company is examined and new targets and strategies are created if necessary.

21. Risk Management and Internal Control Mechanisms

The Risk Management Department is established under the Finance Directorate to track, report and manage risks in the company. The Department continues to work proactively regarding financial risks, loan risks and elementary risks.

Financial Risks: The company continually tracks risks of exchange rates, interests and liquidity and reports these risks at certain intervals. The Treasury Department is responsible for managing financial risks reported by the Risk Management Department, according to the risk criteria.

Loan Risks: Consolidated international receivables are collateralized and reported. The company often purchases insurance policies and uses bank guarantees, factoring and Eximbank guarantees for this purpose. The Sales Accounting Directorate manages the process of guaranteeing domestic receivables. When products are delivered to authorized dealers, guarantees such as mortgages, letters of guarantees from banks, customer deeds, stocks or currency are received in return. Factors affecting risks are processed online in the system. Transactions such as dispatch orders or draft collections are shown on accounts immediately, therefore changing the risk factors.

Elementary Risks: Includes processes such as determining consolidated fixed assets, responsibilities, transportation, coverage of insurance policies and their purchase and managing processes related to claims.

Moreover, to establish viable internal control mechanisms, the Internal Audit Department is established under the Assistant General Manager of Finance and Accounting. The audit committee constantly monitors the processes and effectiveness of the system and if necessary reports issues and suggests solutions for risk management and internal control mechanisms to the Board of Directors.

22. Authority and Responsibility of the Members of the Board of Directors

The Articles of Association clearly define the authority and responsibility of the Board of Directors. The levels of authority are explained in detail on authorized signature lists that are filed with the authorized organizations as stated by law and posted on the company's web site.

23. Main Activities of the Board of Directors

According to the Articles of Association, the Board of Directors meets when necessary to manage the company's business. The board must convene at least four times a year. The Board of Directors is required to convene upon request of the chairman or two board members. Reasons for any opposing opinions or votes are recorded in the minutes of the board meetings. Detailed reasons for opposing votes are disclosed to the public. However, a disclosure was not made in 2009 since no opposing votes or opinions were recorded at any of the four meetings of the Board of Directors.

The agenda for a meeting of the Board of Directors is determined whenever related departments report issues to top management or to the board that specifically require a resolution by the Board of Directors. The meeting also occurs when a member of the board calls for a resolution pertaining to a significant issue. The Assistant General Manager of Finance and Accounting collects and consolidates the issues and prepares the agenda.

The Arçelik A.Ş. Assistant General Manager of Finance and Accounting has been appointed to set the agenda for meetings, prepare resolutions according to TCC Article 330/II, inform members and establish communications.

The Board of Directors meetings convene at the company's headquarters or at a convenient location in the city center. Significant resolutions are announced to the public through PDP and on the company's web site in Turkish and English.

24. Prohibitions of Transactions or Competition with the Company

According to Articles 334 and 335 of the TCC, the chairman and members of the Board of Directors seek consent at the General Shareholders Meetings to engage in, either directly or indirectly, or own shares in any business similar to the business of the company.

25. Ethical Rules

Arçelik A.Ş. endeavors to exemplify accountability. The company respects its partners, dealers, industrial partners and customers and adheres to all laws. The company has built an organization with its employees, partners, dealers and other subsidiaries and acts responsibly towards society, the environment, its customers and partners within this organization. These responsibilities form the foundation of the Arçelik A.Ş. "Principles of Work Ethics," at the heart of daily work life. These principles are shared with employees at all levels to comply with and to act according to these principles when performing their duties.

Arçelik A.Ş. Principles of Work Ethics include the following:

- To prevent conflict of interest, Arçelik A.Ş. establishes expectations of employees regarding their commercial investments, activities outside the company, gifts and invitations received, work activities of relatives, employment with suppliers and so on.
- Employees must always consider the shared values and principles of work ethics of Arçelik A.Ş. when gathering information on competitors in order to reach company targets and strategies as a part of their responsibilities.
- Safeguarding commercial secrets of Arçelik A.Ş. is vital to protecting the future success of the company, thus the job security of the company's employees.
- Arçelik A.Ş. respects intellectual property rights, and employees must comply with all legal obligations when using articles, inventions, works of art or other items in the company. A publication or any other published work may not be used at Arçelik A.Ş. before payment is done for its rights.
- Arçelik A.Ş. agrees to comply with all laws and regulations regarding security, the environment and health issues.
- Internal audits, policies and procedures are compared to real life situations to determine if they are properly executed.
- Arçelik A.Ş. principles of work ethics require respecting others; not using alcohol or illegal drugs at the workplace and during working hours; providing safety at work; helping to create a peaceful work environment; and acting with the principle of equality.

Arçelik A.Ş. has prepared instruments for employees and has described what kind of actions would be taken when in doubt of the principles of work ethics. When employees act in a manner contrary to these principles, they are questioned and cautioned with legal sanctions.

26. The Number, Organization and Independence of Committees Created by the Board of Directors

The company has established an audit committee to ensure that the Board of Directors fulfils its duties and responsibilities in a reliable manner. The audit committee is composed of two non-executive members. In 2009, the board elected Mr. Temel Kamil Atay and Mr. Robert Sonman to serve on the audit committee. The audit committee performs its activities in compliance with the Capital Markets Law and the CMB Corporate Governance Principles. The members of these committees are not independent members. The company plans to initiate a corporate governance committee. The General Shareholders Meeting on March 25, 2009 approved to create the committees by making necessary amendments to the Articles of Association. According to the Articles of Association, the Board of Directors may create committees or sub-committees for consultation, coordination or other purposes when deemed necessary.

27. Remuneration of the Board of Directors

According to the Articles of Association, the General Shareholders Meeting determines the rights to be granted to the Board of Directors. At the meeting of March 25, 2009, the shareholders decided to pay a gross monthly salary of 1,355 Turkish lira to the Chairman and to each member of the Board of Directors. The executive members also receive remuneration based on their performances. The board members and officers are not allowed to borrow or receive loans other than advance payments granted in compliance with the company's internal procedures. No surety is granted in favour of board members or officers.

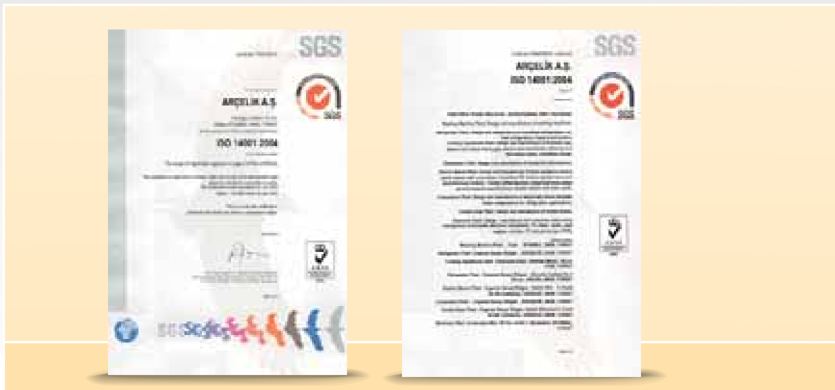

Blomberg
BEKO

Environmental Approach to Products and Production

The "Sustainable Development" strategy of Arçelik A.Ş. aims to preserve the environment and natural resources by environment-friendly operations and high efficient, low energy and source consumed products.

Based on the principle of Total Quality Management (TQM) philosophy, Arçelik A.Ş. implements all related international product and management standards mainly ISO 9001 Quality Management System and ISO 14001 Environmental Management System Standards.

Arçelik A.Ş. guarantees to control the environmental impacts, comply with all applicable legal and other requirements, sustainable development, and prevent environmental pollution by implementing ISO 14001 Standard.



Our environmental management system is documented and implemented based on the requirements of ISO 14001 Environmental Management System Standard. In order to ensure the effectiveness of implementation and sustainability of the Environmental Management System, internal audits are performed. Arçelik's environmentally responsive approach, control of the environmental impacts of "product life cycle" and the technological superiority it has achieved are the outcome of its management systems.

The environmental objectives and targets are defined, the environmental performance is followed to control environmental impacts, to decrease source usage in order to leave clean and healthy environment for future generations.

Compliance with National and International Environmental Legislations, Directives and Regulations

Arçelik A.Ş. continually controls compliance with all environmental national and international, legislations, directives and regulations for the entire product lifecycle.

Arçelik A.Ş. fully complies with sector-specific regulations in Europe listed below:

- Directive on Waste Electrical and Electronic Equipment (WEEE),
- Important changes planned to be made by the European Union in the Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS),
- Directive on Ecodesign Requirements for Energy-Using (Related) Products (EuP),
- Regulation of the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH).

In line with EU directives on electrical and electronic household appliances, Arçelik A.Ş. began using energy labels indicating the energy consumption of the products long before the labels become mandatory in Turkey.

Arçelik A.Ş. was also the first Turkish household appliances company to produce refrigerators without ozone-depleting CFC gases much earlier than 2006, deadline set for Turkey in Montreal Protocol.

Furthermore, REACH, the European Community regulation on chemicals and their safe use, was put into force in 2007. This regulation is one of the most comprehensive legal directives issued to date and brings obligations at every stage of the production and distribution chain from producers of raw materials to retailers. Arçelik A.Ş. believes it paramount that all industrial chemicals are registered and maintained under proper controls. The company also considers that REACH is one of the most critical legal processes for the protection of the environment and human health because of the mandatory information trail on all chemicals along their supply chains from producers to industries and makes this information available to consumers.

As a part of the company's efforts to fully comply with REACH, Arçelik A.Ş. has formed a team that has made all relevant preparations and together with its suppliers. Arçelik A.Ş. has initiated a process that complies with REACH regulation.

1995	1995	1997	2009
CFC12 ended	R134a started to use	R600a started to use	R134a and R600a continued to use

Green Products

Refrigerator

New Black Orbital

- Least Energy Consuming - first A++ No Frost Refrigerator in the world, in its own category.
- Consumes 40% less energy compared to same capacity A energy class no-frost products
- Low noise level of 40 dBA
- Uses R600a environmental refrigerant gas

Washing Machine

Economist

- A first in the world, "The Least Energy Consuming Product in the World" with A-30% energy class (30% less energy consumption) performance with an 8-kg capacity
- "Quickest in the World" and washes 2 kg of unclean laundry in 14 minutes with 14 programs

Dishwasher

7 litres "Rekortmen"

- "Least Water Consumption in the World" with 7 litres
- "Most Silent in the World" - 39 decibel with variable-speed motor technology
- "Fastest Dishwasher in the World" - class A performance washing with a quick 58-minute program

o A-10% energy class

- Saves energy by washing dishes for 15 people with 10% less consumption than class A machines

Tumble Dryer

- Heat pump technology provides 30% energy savings compared to other class A's, with a 7-kg capacity and a 2.25 kWh consumption level
- Electronic heat pump and unique drum action guarantees wool and silk laundry is completely dry - the first to provide such a guarantee in the world.

Oven

"The Least Energy Consuming Oven in the World"

- Eco fan heating Cooking saves 30% energy with 690 wh compared to other class A models.
- In Europe replacing 130.6 million ovens that consume 1,000 wh electricity, with class A products - saves 4,453 GWh of energy in one year and releases 2,137,857 tons less greenhouse gases.

Green Products

ECO LCD TV

- Green product line with 45% less energy consumption
- No energy consumption with 0-watt usage on stand-by
- Grundig selected sponsor in "Sustainable Energy" program in Europe

Energy Star

- Grundig, first LCD TV to receive "Energy Star" approval in Europe

40” LED TV

- Graceful look with aluminium design and glass leg
- Edge LED 16mm thick
- 40% less energy consumption
- Mercury-free, green production technology

Awards and Achievements in 2009

Environmental Awards and Achievements

- The Most Efficient Product Award for the New Black Orbital, 5088 NF in the Energy-Efficiency in Industry Competition organized by the General Directorate of Power Works Studies Administration under the Ministry of Energy and Natural Resources.
- Plus X Award, “Ecology” category for the Beko WMD 78142 SD Washing Machine
- Plus X Award in the “Ecology” category for the Beko WNF 8428 A Washing Machine.
- Plus X Awards in the “Ecology” category for the Blomberg MDND 1880 Mirror Refrigerator and the WNF 8428 A Washing Machine.
- The Blomberg Washing Machine was recognized with the Most Efficient Product Award in the “Energy Star” program, organized by the U.S. Environmental Protection Agency and the U.S. Department of Energy.

Corporate Awards and Achievements

- Beko refrigerators were selected among the “Most Trusted Products” in the U.K.
- Arçelik A.Ş. and Grundig Elektronik A.Ş. received awards in the “Most Successful Koç Members” category.
- Beko Volumax Washing Machine was recognized with the Jakosc Roku 2008 Award in Poland.
- Blomberg Tumble Dryer was listed in number one spot in Emporio Test Magazine.
- Arçelik brand won an Effie Award for “Sustainable Success.”
- Arçelik was “The First Brand to Come to Mind,” “The Brand with the Highest Consumer Affinity” and “The First Brand to be Remembered” according to the 2008 Nielsen survey.
- New Black Orbital was the winner in the Excellence in Design competition organized by Appliance Design magazine in the U.S.A.
- Grundig GR 32 GBG 6500 LCD TV received the Product of the Year in 2009 Award from RATEK in Russia.
- Plus X Awards in seven categories; Ease-of-Use Award for the Beko WMD 78142 SD Washing Machine, Ease-of-Use Award for the Beko DSFN 1530 Dishwasher Design Award for the Beko OIM 25502 X Built-in Oven, Ease-of-Use Award for the Blomberg WNF 8428 A Washing Machine Ease-of-Use Award for the Blomberg GLN 9220 E Dishwasher, Design Award for the Blomberg Mirror Refrigerator MDND 1880 Design Award for the Blomberg BEO 9576 X Built-in Oven.
- 2008 Annual Report Award by the American League of Communications Professionals (LACP) and the Platinum Award.
- Blomberg Heat-Pump Dryer was selected as the “Best Buy” by Consumentengids, the Dutch Consumers’ Association magazine.
- Beko Refrigerator was selected “Best Buy” by Which magazine in the U.K.
- Blomberg Washing Machine was selected “Best Buy” from Stiftung Warentest magazine in Germany for outstanding environmental features.
- Beko LLC Russia took the top prize with the Company of the Year Award in the 8th Elite of the National Economy Awards in the “Corporate Social Responsibility” category.
- Beko LLC Russia was awarded the “Most Successful Exporter in the Vladimir Region.”
- Arçelik’s “side by side” Refrigerator won the Technology Application Award of the Eskişehir Chamber of Commerce.
- Arçelik A.Ş. carried Turkey to the second rank with the increases in the patent applications.
- Beko dishwashers were among the “Most Reliable Products” in the reliability survey of Which, a consumer magazine in the U.K.
- Grundig NEO 40 LED TV took the Good Design Award in the Chicago Athenaeum, Museum of Architecture and Design.
- Piano Series 37” LCD TV was honoured with the DesignPreis Nominee 2009 Award, the most prestigious design award in Germany
- Grundig Vision 9 LCD TV won the Reddot Design Award 2009 and the Plus X Award 2009 for its new design.

Supply Chain Process

"Sustainable Development, Global Organization" - the building blocks of Arçelik's vision - are at the core of the company's supply chain policy. Distances between production and consumption are widening as production becomes increasingly global. This brings with it the need for centralizing supply chain policies and managing them globally.

At the center of the company's supply chain organization are flexible production and advanced distribution systems in response to customer orders. Shared systems are used when planning production timelines based on the source of the orders while quality and levels of customer service are tracked in detail.

The goal is to minimize stocks while increasing customer service levels. To shape production planning, mathematical models were formulated with customer and stock classifications, minimum stock levels were determined, and infrastructures were created. Integration of production processes was amplified at all subsidiaries, and demand management tools were used effectively. These methods instigated substantial progress in demand forecasts. Stock levels at production plants as well as at subsidiaries fell considerably throughout 2009, resulting in a 50 percent decrease in warehouse space. In parallel with this, customer service levels jumped to 90 percent. Effective follow-up of aging stocks by country resulted in improvements in stock cycles.

The company embraces social and environmental approaches to guide supply chain operations, which is integral to the company's strategic decision criteria. Supplier locations and distribution depot points are determined with a "green network" approach in order to use the type of transportation best suited to the environment and to minimize the release of gas emissions.

Needs for logistical services were consolidated, and substantial savings were achieved with the synergy created in round-trip transportations. Seventy percent of Turkish exports are transported by sea. Upon arrival at destinations, Arçelik prefers railways and river transports operating with green technology whenever possible. When forced to use land transportation, the company effectively manages vehicle sizes and maximize load levels, thus slashing the number of vehicles used. Railway transport is preferred to land transport whenever possible. Moreover, a concerted effort to make direct deliveries results in eliminating unnecessary deliveries and depot space.

Purchasing

Direct and indirect materials and investment parts are supplied through the central purchasing department in Arçelik A.Ş. This management approach results in greater advantages to the company in various areas, particularly in pricing and cost management on consolidated supply items and on the creation of a global supply pool. Electronic bidding is widely used in purchasing activities at Arçelik A.Ş. and also at the Koç Group. This method produces significant gains by creating a competitive supplier pool.

To use the supplier pool productively in the recently emerging Far East market, a purchasing office is opened in the People's Republic of China. Sophisticated electronic communications and data management systems are being used to manage the global supplier network. The supplier portal, which is used for reciprocal communications over the Internet, is constantly upgraded according to evolving needs. Corporate resource planning is performed with Enterprise Resource Planning (ERP) software, which now integrates all of Arçelik's operations.

Aligned with the values of sustainable shelf life, expectations from suppliers are identified along with processes to ensure that their compliance has been put into operation. Sectoral changes are closely monitored, and environmental legislation, laws, and regulations like RoHS, WEEE or REACH have been integrated into the company's purchasing processes to provide environmental compliance of materials. The audits and evaluations of suppliers also take the environmental performance criteria in to consideration.

To supply the materials and components necessary for producing less energy consuming, environment friendly innovative products, the cooperation of R&D department and suppliers are encouraged and the involvement of supplies to design projects is required.

Costumer Services

Arçelik A.Ş. has increased customer satisfaction since incorporating the company's services for white goods and consumer electronics. The company has achieved this without compromising quality of service and has begun to provide service from one location for all products. Whereas the minimum warranty period required by law is two years, Arçelik A.Ş. has been giving three-year warranties since 1998. Customer satisfaction continues to be the highest priority in all other operations as well.

Arçelik provides after sales services with its own customer service organizations in 11 countries and through its distributors in other countries. Records of services are maintained to be used for upgrading products and the quality of service. The company markets products in over 100 countries with customer-focused after sales services. One of the primary targets of the company is to expand even further in the international arena through the experience garnered in Turkish markets and through the dedication and high standards of quality and services the company has demonstrated to customers domestically. As a part of this strategy, the "Customer Service Hotline" for customers in Germany and Austria operates out of Turkey.

The company's centralized distribution system allows tracking of operations, starting from the sale of a product at the authorized dealer to installation at the customer's location. The vehicle tracking system provides utilization of the most suitable vehicles, thus reducing the release of greenhouse gases into the environment. Moreover, low emission vehicles are used by the company's authorized services and customer services, and vehicles older than five years are continually replaced to improve the fleet emission levels.

Arçelik considers commercial air-conditioning an opportune market when considering the need for a productive use of energy. In that respect, to go beyond retail sales to end users, B2B marketing and a service infrastructure must be initiated for professional decision makers. Sales representatives, installation and after sales service personnel as well as business partners who are authorized dealers and services are given theoretical and hands-on training for the VRS Multi-Ace Air Conditioning System at the Arçelik Air Conditioner Training Academy. A total of 37 sales engineers and 136 service technicians were trained and certified in 2009.

"The use of PDAs at support centres will ensure better service quality and efficiency through optimizing the work distribution of the on-site technical staff. "

For the Community

Arçelik A.Ş. works diligently to create projects that uplift the standards of society and that offer solutions as part of the company's social responsibility to benefit "Sustainable Development." The responsibilities undertaken and the support given with respect to corporate values and culture since the company's founding form the basis of Arçelik's "Corporate Social Responsibility Approach."

Believe in U - Romanya

The Standing United for Education with Arçelik A.Ş.
Turkey

Turkish Basketball League - Turkey

Computer Class - Russia

Corporate Social Responsibility

In addition to creating economic value through employment, growth and added value in the countries where the company operates, Arçelik has consistently contributed to "Sustainable Development" by pioneering social and environmental activities since the day the company was founded. NGOs are indispensable partners of Arçelik in realizing corporate social responsibility projects. Accordingly the Company acknowledges their significant position in society and willing to take joint action for their improvement. The Company also develops relations with public local institutions in which it operates, with a view to improving the bilateral cooperation in line with its corporate values and principles.

The Company believes that raising society's awareness concerning education is a prerequisite to the nation's proper development. Education is a tool that solves many social issues in a proactive manner and contributes to the rational utilization of national resources. In an effort to provide added value to society, Arçelik A.Ş. implements projects and programs that are primarily focusing the field of education and supporting the education of young generations who represent our future.

"Standing United for Education with Arçelik" Program - Turkey

Knowing that self-development must be supported in the early stages of childhood, the Company started the Standing United for Education with Arçelik program in 2004. Conducted jointly with the Ministry of Education, this program targets primary school students.

Under this program, the Company aims to improve the education and development standards of children who come from disadvantaged families and study at regional primary boarding schools in Turkey as well as to ensure that these children become valuable members of society.

Focused on the personal development of students, the program consists of five projects: Our Rooms, They Were Once Children, Support and Education for Teachers, the Arçelik Education Scholarship, and the Volunteer Family Association. This educational development initiative aims to contribute towards helping to properly raise the 200.000 children studying at almost 300 regional primary boarding schools to become Turkey's modern and self confident next generation.

As such, the Company cooperates with NGOs to raise social awareness about the issues and reach wider audiences. The NGOs contributing to this program include:

- Vehbi Koç Foundation (VKV),
- the Educational Volunteers Foundation of Turkey (TEGV),
- the Mother-Child Education Foundation (ACEV)
- the Private Sector Volunteers Association (ÖSGD).

Standing United for Education with Arçelik Projects

Our Rooms

Our Rooms project aims to foster education by creating diverse surroundings where students, growing up away from their families, may take advantage of their free time and engage in cultural and arts activities - a time to just relax and have fun as they learn through educational materials provided for them.

Arçelik Education Scholarship

This project grants scholarships to students who are top graduates at regional primary boarding schools and who do not have the financial resources to further their education in high school.

Support and Education for Teachers

A series of seminars and workshops are organized to support the personal and vocational development of teachers and administrators working in regional primary boarding schools.

They were Once Children

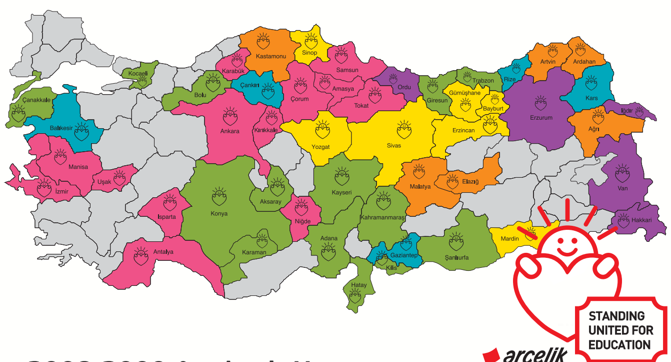
Children follow the examples of people around them as they grow up. These role models play an integral part in shaping these children's personalities and future ambitions. This project sets examples of successful role models for these children and conveys the message that children are an indispensable asset to the future of the country. Furthermore, the project encourages them to grow into successful and self-confident individuals in pursuit of their dreams.

Volunteer Family Association

One of the core values of Arçelik A.Ş and the Volunteer Family Association is "social volunteering" which has become wide-spread around the globe and in Turkey in recent years. The most essential aspect in sustaining this project is the contributions and commitments from local volunteers. The Volunteer Family Association is a group of volunteers acting as mentors and assistants at regional primary boarding schools.

Provinces Covered by the Program

- 2004 Academic Year Pilot Provinces: Van, Hakkâri, Iğdır, Erzurum, Ordu.
- 2004-2005 Academic Year: Gaziantep, Kars, Rize, Çankırı, Balıkesir.
- 2005-2006 Academic Year: Çanakkale, Kocaeli, Bolu, Konya, Karaman, Aksaray, Kahramanmaraş, Kayseri, Adana, Trabzon, Şanlıurfa, Hatay, Giresun, Kilis.
- 2006-2007 Academic Year: Ağrı, Artvin, Ardahan, Kastamonu, Malatya, Elazığ.
- 2007-2008 Academic Year: İzmir, Manisa, Uşak, Antalya, Isparta, Amasya, Tokat, Ankara, Kırıkkale, Niğde, Çorum, Karabük, Samsun.
- 2008-2009 Academic Year: Sinop, Sivas, Bayburt, Erzincan, Gümüşhane, Mardin, Yozgat



2008-2009 Academic Year

Number of schools reached : 216 schools in 50 cities

Number of students reached : 130,000 students

Target for the 2009-2010 Academic Year

The Standing United for Education with Arçelik program will add to its coverage the provinces of Adıyaman, Batman, Diyarbakır, Siirt and Bitlis and will reach 42 regional primary boarding schools in 5 provinces as well as 258 regional primary boarding schools in 55 provinces all over Turkey.

Arçelik A.Ş. and Volunteerism

Arçelik believes that "people" are the key to finding viable solutions to social issues. When people with a strong sense of awareness come gather to volunteer, permanent solutions to these issues become possible.

The company itself is an extended "volunteer family" with its employees, authorized dealers, services, suppliers and business partners in every country where the company operates. Arçelik draws strength from this extended family to bring solutions to problems through social commitment and volunteerism.

Forming Volunteer Teams, the Arçelik family embraces the company's values and principles in contributing to social projects that add value to the community by using their expertise, time and energy.

"Let's Protect Our Environment and Natural Resources" Competition

Set up by Arçelik employees within the framework of social responsibility, Arçelik Volunteer Teams support various activities aimed at increasing the social and cultural awareness of students enrolled at the schools covered by the Standing United for Education with Arçelik program and aims to educate new generations that look at our country's future with confidence.

As part of its activities in 2009, Arçelik Volunteer Family organized the 2^{nd} Annual a poetry composition and painting contest with the theme Let's Protect Our Environment and Natural Resources among the students of the regional primary boarding schools covered by the Standing United for Education with Arçelik program. The competition aimed at creating awareness of the depleting natural resources of the world and drew great interest from students.

Arctic “Believe in U” Platform - Romania

Leading household appliances industry in Romania, Arctic carries out many projects under its “Believe in U” communications platform, a corporate social responsibility project that contributes to social growth in education, healthcare, social issues, and environmental protection.

The “Career Support” seminar was organized in 2007 to encourage university students to take the initiative to improve their self-confidence and to help them pursue their dreams. In 2008, the project supported “Filter Design,” the foremost and only independent innovative design competition in Romania. The purpose of the competition was to recognize young and talented designers who would change the world with their innovative ideas as well as to provide support for advancing the concepts of a new contemporary life.

“Believe in U” was involved in many social responsibility projects in 2009 as well. Some of these activities involved donating equipment to hospitals and to a disabled children’s center in the city of Gaesti as well as giving New Year’s gifts to the elderly in nursing homes and to children from poor families.

Volunteering Activities of Arçelik A.Ş. Employees in Russia

The Arçelik A.Ş. Refrigerator and Washing Machine Plant in Russia not only creates new employment opportunities but also organizes many projects in education, health, the environment, and sports to contribute to the social development of the region.

Beko LLC, a subsidiary of Arçelik A.Ş. in Russia, was recognized at the 8th Elite of the National Economy Awards in the category of “Corporate Social Responsibility” continuously supports several projects of different institutions from designing rooms for a kindergarden to setting up a computer class for the primary school.

These supporting activities are include; Volunteers built a new room with special equipment and filled it with toys for special children in a nursery in Kirzach. They also set up a fully-equipped computer class for 5th Primary School in the Kirzhach Region and showered gifts on children in an orphanage in Udelnenskiy in the Moscow Region. Volunteers also donated white goods to the needy.

Arçelik A.Ş. Volunteer Vocational High School Coaches

“Vocational Schools, a National Issue” of Koç Holding is a social responsibility project also supported by Arçelik’s employees, authorized dealers and services. Arçelik Volunteers act as “vocational high school coaches” to guide and mentor students’ development. Volunteer Coaches keeping the communication constant; get together with the students to share their knowledge and experiences. The number of academic scholars increased to 896 and “Volunteer Angels” to 28 during the 2009-2010 academic year.

Arçelik A.Ş. and Sports

Arçelik believes that education, culture, and sports altogether play a major role in the growth of young generations. Consequently, the company has vigorously sponsored various sporting events.

In 2006, Arçelik decided to sponsor team sports that personify the Beko brand values of "innovativeness, youth and dynamism" and supported the Turkish Basketball League with the Beko brand for four years.

Arçelik believes that this long-term association between the Turkish Basketball Federation and Beko will greatly contribute to young athletes in their development as well as to the Basketball League itself - an excellent training ground for basketball stars representing Turkey abroad especially in the NBA.

The company also hosts the "Player of the Year" selected through the votes of basketball enthusiasts and coaches. Arçelik was honoured with the Sports Organization Sponsorship Award by the General Directorate of Youth and Sports in 2007 for the company's sponsoring the Beko Turkish Basketball League.

The Beko brand becomes the main sponsor of the Youth Ice Hockey League in Russia in 2009 with the aim of building stronger communication with the younger generation. The Youth Ice Hockey League is made up of 20 teams in 19 cities.

Beko took the brand's investments to an international level with its "World Brand" slogan. The brand became the main sponsor of the FIBA Asia Championship Basketball and the FIBA European Basketball Championship in 2009.

Beko advanced the brand's basketball investments to the highest level when it became the Presenting Sponsor of the 2010 FIBA World Championship, which is organized every four years and brings together the world's strongest basketball teams. This is the first time a Turkish brand is sponsoring such a major tournament.

Beko also sponsored the German Basketball League, "Basketball Bundesliga" in the spring of 2009. Subsequently, the name of the league was changed to Beko Basketball Bundesliga (BBL). According to the sponsorship agreement, the BBL All-Star Day, the BBL Top Four, and the BBL Championship Cup will also be held with Beko's sponsorship for six years.

Basketball represents the same values and targets that Beko espouses. So it comes as no surprise that Arçelik A.Ş. is moving forward to become the "Sponsor of Basketball" not only in Turkey but across the globe with the company's many ventures.

Global Organization

Following the company's vision, "Respects the globe, respected globally," in the company's global organization, Arçelik A.Ş aims to enhance employee competencies and build a creative corporate culture strengthened by geographical and cultural diversity.

For the systems and tools of human resources to reach the same advanced level in locations where the company operates, Arçelik's Human Resources department has been restructured to include a new unit extending to the company's subsidiaries.

Reinforcing the company's global competitive position with more ambitious targets every year through the strength and trust of its employees, Arçelik A.Ş. deploys various approaches in human resources to promote employee development:

- Integrated human resources systems and tools
- Fostering creative and innovative work environments
- Talent management and career planning
- Continuous employee development

- **Integrated Human Resources Systems and Tools**

  Arçelik maintains continuity and growth in the company and improves human resources through efficient management by using standard assessment and improvement methods such as performance management systems and 360-degree assessments of employee competency and potential. The assessment results are used for career planning and remuneration management processes, and provide integration between corporate and employee development.

- **Fostering Creative and Innovative Work Environments**

  In a world where "change" is the order of the day, Arçelik is constantly renewing the company by creating newer strategies and business models. The synergy in a cross-cultural work environment and a matrix organizational structure afford greater opportunities to various groups to come together and generate projects, allowing creative ideas to emerge and flourish.

  Applying innovative approaches distinguishes products and services offered to customers in a competitive environment.

  With an R&D team of over 700 employees, Arçelik A.Ş. continues to develop and manufacture green products that are technologically innovative which in turn upgrade the living standards of customers.

- **Talent Management and Career Planning**

  In the company's growing organization, Arçelik A.Ş. aims to improve competencies by employing the most qualified young people and experienced professionals that will move the company forward.

  In line with our goal that personal achievement is a must for organizational achievement, the company utilizes various professional development management systems to improve the performances and competencies of employees. Critical positions and potential employees, who will take the company into the future, are identified at a Human Resources planning meeting held each year. Meanwhile, performances of potential employees are tracked to provide improvement opportunities as needed.

- **Development Management**

  The company's approach to training and development processes is to improve performances through continuous development principles in parallel with the company's vision and business targets. Current and future improvement needs of employees are planned according to the company's global organizational requirements, targeting the effective and capable use of internal resources considering by both corporate and personal needs, development is planned at the start of recruitment by using various development programs including like orientation, sales, marketing, leadership, management, and foreign language training, etc.

Evaluation of Work Life

Arçelik A.Ş. evaluates and recognizes achievements, inventions, and suggestions that would yield benefits. In this way, the company heightens employee motivation, loyalty and efficiency, implements best practices, and encourages competencies that make a difference.

The company's philosophy of continuous development provides more progressive work life for employees. Therefore, a work life evaluation survey is conducted each year to measure these criteria: employee satisfaction, loyalty and dedication to the job and the company. The survey's participation rate was 80 percent in 2009.

Industrial Relations

Under Arçelik's industrial relations policy, the company respects the rights of employees to join industrial associations and unions. By law, employee relations under collective bargaining agreements at union workplaces are negotiated through union representatives assigned by the unions. Arçelik's Human Resources and union representatives fully cooperate to sustain peaceful labour relations.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Occupational Health and Safety

Arçelik A.Ş. complies with the company's policy on occupational health and safety according to relevant laws and business practices; thus, the company has implemented systematic standard applications. In fact, company studies have shown marked improvement in the number of work-related accidents and work loss days.

Occupational Health and Safety Policy

Arçelik and its employees fully comply with all domestic and international laws and regulations to create a healthy and safe work environment based on continuous improvement under the Occupational Health and Safety Management System.

In this regard, Arçelik performs these activities:

- Analyzes and minimizes occupational health and safety risks in the work environment
- Provides training to increase awareness of occupational health and safety issues
- Takes measures to achieve zero rates in work accidents and occupational diseases or illnesses; improves productivity under both the Quality Management and Environmental Management systems; and endeavours to be a role model in the durable goods industry in occupational health and safety practices.

Business Excellence

As the prize winner of "European Foundation for Quality Management (EFQM) Excellence Award" and the owner of "Turkish Quality Association's (KalDer) National Quality Award". Arçelik A.Ş. has adopted the Total Quality Management (TQM) approach to excellence in every processes leading to a finished product. The company's total quality journey has upgraded efficiency in all systems; consequently, customers are afforded higher quality products and services under far greater conditions. Within the company, a common language between departments and employees has been facilitated even further as team spirit and communication have continually progressed at every stage in the quality journey. Employee awareness of their individual contributions to success has reinforced Arçelik's corporate culture to much greater extent.

Initiated in 1993, the company's self-assessment program based on EFQM Excellence Model ensured the continuous improvement and enhanced adaptive, proactive approaches in internal and external conditions under the Quality Management, Environmental Management, Occupational Health and Safety Management systems and business processes extend from suppliers to customers.

Based on the principles of TQM's philosophy and motivated by team spirit, the company strives to achieve both organizational and departmental objectives and maintain continuous improvement and growth in targeted markets. Activities involving quality, the environment, and occupational health and safety are initiated and monitored under the company's Five-Year Strategic Quality Plan.

Arçelik A.Ş. certifies and continuously improves the Quality and Environmental Management Systems to comply with ISO 9001 and ISO 14001 Standard requirements. Arçelik A.Ş. consistently aligns both domestic and international activities in the consumer durable goods industry with the company's quality, environmental, and occupational health and safety policies.

The Company's Central Calibration Laboratory was accredited by Turkish Accreditation Agency (TÜRKAK) Board in 2008 according to ISO 17025 Laboratory Quality Management System. Work is ongoing to ensure that the standards of Plant Calibration Laboratories are aligned with those of the Central Calibration Laboratory.

Under the continuous improvement approach, Arçelik A.Ş. works with data and uses the Six Sigma Methodology to reach excellence by increasing the productivity of its business processes to meet international competition.

The main goal of Six Sigma Methodology is to achieve excellence in lean and simple products and processes. Arçelik A.Ş. started its first Six Sigma efforts in 1998 in its production and technology processes and the use of Six Sigma has been deployed to other processes in 2002.

Today, the Quality Systems and Six Sigma Department coordinates Six Sigma activities throughout the Company in production and transactional processes.

Six Sigma projects are determined and implemented through the coordination of Six Sigma Leaders. The Company organizes regular training courses for the deployment and sustainability of Six Sigma. There are nearly 150 certified belts at Arçelik A.Ş.

Arçelik A.Ş. has adapted the Six Sigma in order to:

- Improve processes
- Make the processes transparent and manageable
- Create decision making mechanism based on data
- Develop a platform to continuous growth in profitability
- Harmonize its organizational targets and process objectives
- Focus on customer and develop a common language
- Improve creativity

Another approach to optimize productivity in business processes is the Total Productive Maintenance (TPM) methodology which is based on team work at all levels. Applied in Arçelik A.Ş. plants since 1996, the goal of TPM methodology is to provide the optimal use of resources by eliminating all factors that negatively affect efficiency, either directly or indirectly.

International Compliance Certificates

International System Standards Compliance Certificates

TS EN ISO 9001:2008, TSE
ISO 14001:2004, SGS
TS EN ISO/IEC 17025:2005, TÜRKAK

Product Standard Compliance Certificates

TSE - Turkey
CE - European Union
TÜV, VDE - Germany
ITS, BEAB - United Kingdom
GOST-R - Russia
UL - USA
SEMKO - Sweden
IRAM - Argentina
KUWAIT STD - Kuwait
SASO - Saudi Arabia
SINGAPORE STD - Singapore
ISCIR, ICPE - Romania
CCIB, CCC - China
KETI - South Korea
POLAND STD - Poland
AFNOR - France
AGA, AS - Australia
ÖVGW - Austria
CSA - Canada
UkrSEPRO - Ukraine
SII - Israel
Kvalitet - Serbia
ZIK - Croatia
ELOT - Greece
HDMI (TV) - All Regions
Dolby (TV) - All Regions
SRS (TV) - All Regions
USB (TV) - All Regions
DVD Forum (TV) - All Regions


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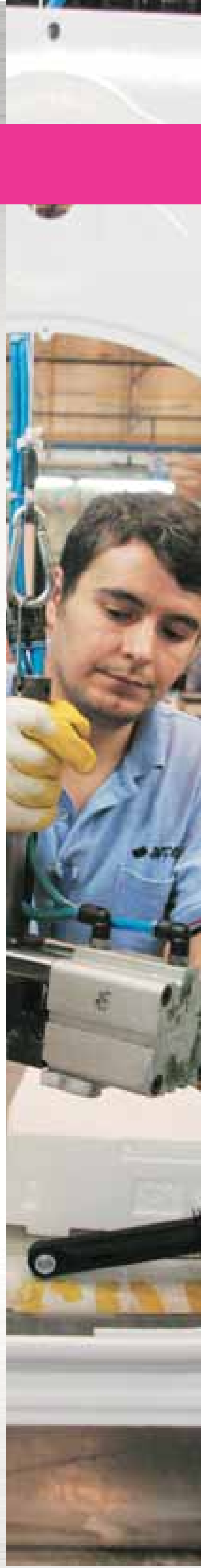


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Arçelik Anonim Şirketi

Consolidated financial statements for the period **January 1 - December 31, 2009** and independent auditor's report

ARÇELİK A.Ş. ORDINARY GENERAL ASSEMBLY MARCH 17, 2010

1. Opening and the Election of Presidential Board.

2. Reading the Report of the Board of Directors, Report of the Auditors and the summary of the report of the Independent Audit Institution Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers), concerning the operations and accounts of the year 2009, the discussion of these reports, the acceptance, acceptance after modifications or refusal of the proposal of the Board of Directors for the Balance Sheet and Income Statement of year 2009.

3. The acquittal of the Members of the Board of Directors and Auditors for the operations of the Company in 2009.

4. Informing our Shareholders concerning our profit distribution policies, in accordance with Corporate Governance Principles.

5. The approval, approval with amendment or refusal of the Board of Director's offer for distribution of profit.

6. Resolution regarding the amendments of the Articles of Association of which Article 3 named "Purpose and Subject", Article 12 named "Term and Election" and Article 16 named "Remuneration" in the part of Board of Directors, Article 27 named "Votes" in the part of General Assembly and Provisional Clause.

7. Determination of the number of members of the Board of Directors who shall function until the ordinary general assembly in order to analyze the activities and accounts for the year 2010, and election of new members.

8. Reappointment or change of the auditors to act until the ordinary general assembly meeting in order to analyze the activities and accounts for the year 2010.

9. Determination of the gross remuneration for the chairman and the members of the Board of Directors and the Auditors.

10. Informing the General Assembly about the donations and aid provided to associations and foundations in 2009 for social relief purposes.

11. The approval of the Independent Auditor Institution selection, made by the Board of Directors, within the framework of the Capital Market Legislation issued by Capital Markets Board.

12. Submitting the Company Information Disclosure Policy to the General Assembly.

13. The authorization of the members of the Board of Directors to perform the business, related to the operations of the Company in person or on behalf of other persons and to become partners to the companies, performing such operations and to perform other transactions, in accordance with Articles 334 and 335 of the Turkish Commercial Code

14. Signing the General Assembly Meeting Minutes by the Presidential Board and the authorization to settle with this.

15. Wishes.

Profit Distribution Proposal

Esteemed Shareholders

Our financial statements display a consolidated net profit of 503,025,609.00 Turkish lira for the period of January 1 to December 31, 2009. Of this amount, 485,409,944 Turkish lira is net income attributable to the equity holders of the parent. The financial statements were prepared according to the Capital Markets Board, Communiqué Serial. XI, No. 29, and according to the International Financial Reporting Standards and were audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a member of PricewaterhouseCoopers. Our profit distribution proposal is prepared taking into account the long-term strategy for the group, the capital requirements of our company, subsidiaries and affiliates investments, financing policies, profitability, and cash position. We therefore propose the following profit distribution to be paid beginning March 24, 2010, according to the decision of the General Shareholders Meeting.

According to the Capital Markets Law and the Capital Markets Board regulations, we have calculated a profit distributable of 485,409,944 Turkish lira. After adding to this sum 1,332,397.52 Turkish lira donations to foundations and institutions exempt from taxation, we have calculated a base for the first dividend amount of 486,742,341.52 Turkish lira. In our statutory records, we subtracted last year's loss of 311,756,655.81 Turkish lira from the net profit after taxes amounting to 377,331,689.33 Turkish lira, resulting in 657,704,977.55 Turkish lira as distributable profit, with 65,575,033.52 Turkish lira of this amount coming from current year's profit.

According to the Capital Markets Law, we hereby propose the allocation of the following sums from the consolidated net profit:

TRY 100,000,000.00		Gross Dividends to Shareholders
TRY 6,621,358.98	10%	Secondary Legal Reserves

The remaining amounts will be added as extraordinary reserves, based on our statutory records, we ask the General Shareholders Meeting to approve these items:

Funding TRY 100,000,000.00 in cash dividends to shareholders as follows:

TRY 1,256,707.58 from exceptional earnings retained in extraordinary reserves allocated before 1999;
TRY 38,402,643.93 from exceptional earnings retained in extraordinary reserves allocated between 1999 and 2003;
TRY 1,386,973.94 from extraordinary reserves allocated from previous years;
TRY 58,953,674.55 from current year other income; and
TRY 6,621,358.98 of secondary legal reserves from the current year's statutory profit.

- Pay a cash dividend at the rate of 14.8 percent, which corresponds to 0.14799 Turkish lira gross and net cash dividend for the shares with a nominal value of 1.00 Turkish lira to institutional shareholders who are full taxpayers or limited taxpayers and obtain dividends through a business or a permanent representative in Turkey.

- Pay a cash dividend at the rate of 14.8 percent, which corresponds to 0.14799 Turkish lira gross and 0.13459 Turkish lira net cash dividend for the shares with a nominal value of 1.00 Turkish lira to other shareholders.

May 2010 be a prosperous year for our country and our company.

With our best regards,

Rahmi M. Koç
Chairman of the Board

REASON FOR THE AMENDMENT REGARDING PURPOSE AND SUBJECT

As a result of the enhanced efficiency in management of the supply chain and optimization of stock levels, a portion of the existing storehouse space may sometimes remain idle. In order to be able to let third parties use such idle storehouses and entrepot and also in legal terms, Article 3-B of the Articles of Association named Purpose and Subject should be inserted a phrase to the effect that storehouse operation and entrepot organizations may be set up.

Another text inserted as Article 3-L in Purpose and Subject is the implementation of the resolution of the Capital Markets Board made during the meeting held on 09.09.2009 numbered 28/780. Accordingly, the company may create guarantees, sureties and warranties for the company or for third parties or may create a right of pledge, including mortgage, provided that the principles set out by the Capital Markets Board shall be observed.

REASON FOR THE AMENDMENT REGARDING THE BOARD OF DIRECTORS

The amendment suggested in our Articles of Association for Article 12 named Term and Election is intended to ensure observance of the Corporate Governance Principles of the Capital Markets Board. These principles specify the qualifications sought in the members of the board of directors in section IV/3 regarding the Board of Directors. Accordingly, people who have knowledge and experience about the activity field and management of the company, who can analyze the financial statements and reports and who have basic knowledge about the legal arrangements that the company is subject to and who preferably have bachelor's degree may be designated and elected as the members of the board of directors.

The amendment suggested for Article 16 of our Articles of Association named Remuneration is the implementation of the article approved by the Ministry of Industry and Trade. So, the article regarding the remunerations of the members of the board of directors is made in conformity with the generally accepted text approved by the Ministry of Industry and Trade.

THE REASON FOR THE AMENDMENT REGARDING GENERAL ASSEMBLY

The suggestion included in the draft for Article 27 named Votes and the Provisional Clause of our Articles of Association covers the changes needed as the word "new" in the currency is abolished by the decision of the Cabinet of Ministers on 1st January 2009 and as YKr currency may no longer be used.

OLD TEXT
PURPOSE AND SUBJECT

Article 3- Subject of the Company is to perform all commercial and industrial activities related with production, sales, marketing and leasing, in virtual environment included, import and export of refrigerators, deep-freezers, washing machines, dish washers, thermo-siphons, vacuum cleaners, polishers, air conditioners, coolers and equipments, Radios, Televisions, Audio and video recorders and sets, ovens, stoves, hair dryers, mixers and all kinds of similar household appliances operating with or without electric power or other power source, bath tub and ready-made kitchens, home furnitures, carpets and equipments and appliances included in the home economy and their commercial and industrial types, and compressors, electric motors, carburrators, power transfer devices which form the main and auxiliary components of the above; mobile telephones, mobil telephone lines and components electrical devices and their parts and components; transportation and passenger vehicles and their motors and other parts; power production, utilisation, transmission and distribution equipments.

The company may perform these activities included in its subject singularly as well as perform production activities jointly with another company; It may realise the production under its own brand names as well as for and on behalf of others under their brand names.

Related with its purpose and subject the Company, in the country and abroad, may:

A) Operate as an agent, broker, representitive and Dealer and authorize others to do same.
B) Establish Marketing and Transportation organisations; conduct staff training activities; Setup and use computer systems; perform these singularly or jointly with others.
C) Establish companies or participate in already established companies; use forms or partnerships and other forms of cooperation; realise partnerships and cooperations with others provided that requirements of the Legislation are fulfilled.
D) Acquire trade marks, models, pictures, special production and manufacturing methods, know-how, patent rights; exercise its rights on the same.
E) Import and export, participate in tenders; realise these together with domestic and foreign partners
F) Use its knowledge and experience, build plants and installations for others in the country and abroad.
G) It can buy securities including bonds and shares in the country and abroad as well as depository receipts, contracts of future delivery, derivatives listed in the financial markets, structured financing elements and can make disposition of the foregoing, can also buy and/or dispose of when necessary the share certificates of commercial banks, financial leasing, consumer loan and factoring companies for affiliation purposes provided that such services would not constitute intermediary activities or portfolio management.
H) Participate and when necessary terminate its participation in companies providing Radio, Television Program Production and Broadcasting Services, companies operating Television Studios, and companies manufacturing and selling necessary equipments.
I) Involve in buying and selling and import and export activities of all types of raw materials, semi finished and finished products.
İ) Set up and/or have others set up all kinds of Laboratories and Research centers required for Research and Development activities
J) Give aids and grants to Foundations established with social objectives, Associations, Universities and similar institutions provided that these aids and donations given in the year do not create results which may be included in the scope of Article nr. 15 of Capital Market Law, and such is submitted to the information of the shareholders and the required special circumstances are explained at the General Assembly.
K) In compliance with the legislation relating to the power market and within the framework of auto-producer licence, and with the main aim of meeting its own need for electricity and heat energy; it may conduct activities relating to built production facilities, produce electricity and heat energy, in case of production exceeding its own need, to sell the electricity or heat energy, and/or the relevant capacity to other licensed legal persons or independent consumers, and to import all the necessary equipment and fuel for non-commercial purposes.

If other activities deemed beneficial other than the ones specified above are intended to be ventured then such shall be submitted for approval to the general assembly by the Board of Directors and after raising a resolution in that respect the company will be able to undertake the activity desired. However application of such decision which is an amendment to the Articles of Association by nature shall require permission from Capital Market Board and Ministry of Industry and Trade.

NEW TEXT
PURPOSE AND SUBJECT

Article 3- Subject of the Company is to perform all commercial and industrial activities related with production, sales, marketing and leasing, in virtual environment included, import and export of refrigerators, deep-freezers, washing machines, dish washers, thermo-siphons, vacuum cleaners, polishers, air conditioners, coolers and equipments, Radios, Televisions, Audio and video recorders and sets, ovens, stoves, hair dryers, mixers and all kinds of similar household appliances operating with or without electric power or other power source, bath tub and ready-made kitchens, home furnitures, carpets and equipments and appliances included in the home economy and their commercial and industrial types, and compressors, electric motors,carburrators, power transfer devices which form the main and auxiliary components of the above; mobile telephones, mobile telephone lines and components electrical devices and their parts and components; transportation and passenger vehicles and their motors and other parts; power production, utilisation, transmission and distribution equipments.

The company may perform these activities included in its subject singularly as well as perform production activities jointly with another company; It may realise the production under its own brand names as well as for and on behalf of others under their brand names, Related with its purpose and subject the Company, in the country and abroad, may:

A) Operate as an agent, broker, representitive and Dealer and authorise others to do same.
B) Establish marketing, transportation, warehousing and entrepot organisations; conduct staff training activities; setup and use computer systems; perform these singularly or jointly with others.
C) Establish companies or participate in already established companies; use forms or partnerships and other forms of cooperation; realise partnerships and cooperations with others provided that requirements of the Legislation are fulfilled.
D) Acquire trade marks, models, pictures, special production and manufacturing methods, know-how, patent rights; exercise its rights on the same.
E) Import and export, participate in tenders; realise these together with domestic and foreign partners
F) Use its knowledge and experience, build plants and installations for others in the country and abroad.
G) It can buy securities including bonds and shares in the country and abroad as well as depository receipts, contracts of future delivery, derivatives listed in the financial markets, structured financing elements and can make disposition of the foregoing, can also buy and/or dispose of when necessary the share certificates of commercial banks, financial leasing, consumer loan and factoring companies for affiliation purposes provided that such services would not constitute intermediary activities or portfolio management.
H) Participate and when necessary terminate its participation in companies providing Radio, Television Program Production and Broadcasting Services, companies operating Television Studios, and companies manufacturing and selling necessary equipments.
I) Involve in buying and selling and import and export activities of all types of raw materials, semi finished and finished products.
i) Set up and/or have others set up all kinds of Laboratories and Research centers required for Research and Development activities
J) Give aids and grants to Foundations established with social objectives, Associations, Universities and similar institutions provided that these aids and donations given in the year do not create results which may be included in the scope of Article nr.15 of Capital Market Law, and such is submitted to the information of the shareholders and the required special circumstances are explained at the General Assembly.
K) In compliance with the legislation relating to the power market and within the framework of auto-producer licence, and with the main aim of meeting its own need for electricity and heat energy; it may conduct activities relating to built production facilities, produce electricity and heat energy, in case of production exceeding its own need, to sell the electricity or heat energy, and/or the relevant capacity to other licensed legal persons or independent consumers, and to import all the necessary equipment and fuel for non-commercial purposes.
L) As long as adapting to the principles of Capital Markets Board, the Company can give warranty, bailment, assurance in favor of on its behalf or third parties or build right of pledge including mortgage .

If other activities deemed beneficial other than the ones specified above are intended to be ventured then such shall be submitted for approval to the general assembly by the Board of Directors and after raising a resolution in that respect the company will be able to undertake the activity desired. However application of such decision which is an amendment to the Articles of Association by nature shall require permission from Capital Market Board and Ministry of Industry and Trade.

OLD TEXT
TERM AND ELECTION

Article 12- Members of the Board of Directors are elected for a term of one year. In the event that a member position is vacated the member elected in accordance with the provisions of Turkish Trade Law serves for the remaining term of the predecessor.

The member who served his/her term may be reelected. General Assembly may any time wholly or partially change the members of the Board of Directors without being bound with the service term.

Service duty of Persons elected to the Board of Directors as a representative of a Legal Entity expires upon written notification to the Board of Directors by the Legal entity specifying that the said persons relationship with the legal entity has been terminated.

NEW TEXT
TERM AND ELECTION

Article 12- Members of the Board of Directors are elected for a term of one year. In the event that a member position is vacated the member elected in accordance with the provisions of Turkish Trade Law serves for the remaining term of the predecessor.

The persons, who are nominated and elected as members of the Board of Directors, will have information and experience about the Company's field of activity and management, analyze financial statements and reports , have basic knowledge about the legal procedures that the Company follows and preferably be university graduate.

The member who served his/her term may be reelected. General Assembly may any time wholly or partially change the members of the Board of Directors without being bound with the service term.

Service duty of Persons elected to the Board of Directors as a representative of a Legal Entity expires upon written notification to the Board of Directors by the Legal entity specifying that the said person’s relationship with the legal entity has been terminated.

OLD TEXT
REMUNERATION

Article16- The salary of the Chairman and the Board Members is determined by the General Assembly. In addition to participation fees, Board and Committee members may be paid salaries, bonuses and premiums in return for their services. The payment method and amount will be determined in line with the relevant legislation.

NEW TEXT
REMUNERATION

Article16- Attendance fees can be paid to Board Members within the context of Turkish Commercial Code. In consideration of other services that Board Members and above mentioned committee members have provided, in addition to attendance fees, can be paid salaries, bonuses or premiums . The method and the amount of the payments to the Board Members including executive directors due to board membership are determined by the General Assembly and the method and the amount of the payments to committee members due to committee membership service are determined by the Board of Directors in line with the legislation.

OLD TEXT
VOTES

Article 27- Each share with a nominal value of New Kurus 1 has a right of one vote at General Assembly Meetings.

NEW TEXT
VOTES

Article 27- Each share with a nominal value of Kurus 1 has a right of one vote at General Assembly Meetings.

OLD TEXT
PROVISIONAL CLAUSE

Nominal value of each share has been altered as to be 1 (One) YKr from a nominal value of 5,000.-TL within the frame of the terms of Article 399 of the Law About Amendments in Turkish Commercial Code, Nr. 5274. Because of such alteration, number of total shares are decreased so that against every 2 shares with a nominal value of 5,000.-TL each, 1 share with a value of 1 (One) YKr shall be given. Shares which are not completed to 1 (One) YKr shall be followed as fraction. With regard to the mentioned alteration, shareholders' rights arising from the shares they own are reserved. Transactions for exchanging of shares are being realized within the frame of regulations for denomination of capital market instruments.

NEW TEXT
PROVISIONAL CLAUSE

Being previously 5,000 TL the nominal value of the shares has been amended as 1 Yeni (New) Kurus pursuant to the Law Regarding Amendment of the Turkish Commercial Code first and then amended as 1 Kurus upon the removal of the expression "New" in the New Turkish Liras and New Kurus on 1 January 2009 with the Cabinet Decision No. 2007/11963 dated 4 April 2007. Due to such amendment, the total number of shares has decreased and a share with a nominal value of 1 Yeni Kurus has been given in return for two shares each with a nominal value of 5,000 TL. Rights of the shareholders arising from such amendment are reserved.

The expressions of “Turkish Liras” in this articles of association are the expressions amended pursuant to the above-mentioned Cabinet Decision.

Auditor's Report

To the General Assembly of Arçelik A.Ş.

The auditing conclusions for the accounting year 2009 are submitted for your perusal.

1. According to the provisions of the Turkish Commercial Code and related legislation, we confirm the following:

    a. The statutory books and records have been duly kept;

    b. The supporting documents have been maintained in an orderly manner; and

    c. The adopted resolutions pertaining to the company's management have been recorded in the resolution book.

2. Regarding the company's current status and position, our opinion holds that the attached consolidated financial statements as of December 31, 2009, prepared according to the Capital Markets Board's Communiqué Serial: XI, No: 29, "Communiqué on Financial Reporting Standards in Capital Markets," accurately represent in all material aspects the consolidated financial status and results of the company's consolidated operations.

Consequently, we submit to the General Shareholders Meeting to approve the company's activities summarised in the annual report by the Board of Directors, the consolidated financial statements prepared according to the Capital Markets Law,and the board's proposals on the outcome of the accounting period and to relieve the members of the Board of Directors from any liability.

Istanbul, February 18, 2010

Sincerely

İnanç Kiraz

Serkan Özyurt

PRICEWATERHOUSECOOPERS

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers
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Facsimile +90 (212) 326 6050

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Arçelik A.Ş .

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Additional paragraph for convenience translation into English

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

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

Haluk Yalçın, SMMM
Partner

Istanbul, 17 February 2010

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER

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

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

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

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

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER

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

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

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER

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

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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER

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

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

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

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

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

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

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

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

The Company is registered with the Capital Markets Board ("CMB") and its shares have been quoted on the Istanbul Stock Exchange ("ISE") since 1986. At 31 December 2009, the publicly quoted shares are 23.26% of the total shares. At 31 December 2009, the principal shareholders and their respective shareholdings in the Company are as follows (Note 16):

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

The average number of employees of the Group as of 31 December 2009 is 16,775 (31 December 2008: 18,605).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

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

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

(*) Inactive as of balance sheet date.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

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

Changes in International Financial Reporting Standards (IFRS)

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

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

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

Effective from 1 July 2009

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

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

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

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

Functional and presentation currency

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

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

Financial statements of foreign subsidiaries

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

Consolidation Principles

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

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

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

	31 December 2009		31 December 2008	
	Ownership interest	**Economic İnterest**	**Ownership interest**	**Economic interest**
Archin Limited (1)	100.00	100.00	100.00	-
Arctic	96.68	96.68	96.68	96.68
Arctic Pro (1)	100.00	100.00	100.00	-
Ardutch	100.00	100.00	100.00	100.00
Bekodutch	100.00	100.00	100.00	100.00
Beko Cesko	100.00	100.00	100.00	100.00
Beko China	100.00	100.00	100.00	100.00
Beko Czech	100.00	100.00	100.00	100.00
Beko Deutschland	100.00	100.00	100.00	100.00
Beko Elektronik Russia	100.00	100.00	100.00	100.00
Beko Espana	99.97	99.97	99.97	99.97
Beko France	99.96	99.96	99.96	99.96
Beko Hungary	100.00	100.00	100.00	100.00
Beko Italy	100.00	100.00	100.00	100.00
Beko Magyarorszag	100.00	100.00	100.00	100.00
Beko Polska	100.00	100.00	100.00	100.00
Beko Russia	100.00	100.00	100.00	100.00
Beko Slovakia	100.00	100.00	100.00	100.00
Beko Shangai (1)	100.00	100.00	100.00	
Beko UK	50.00	50.00	50.00	50.00
Blomberg Vertrieb	100.00	100.00	100.00	100.00
Blomberg Werke	100.00	100.00	100.00	100.00
Elektra Bregenz	100.00	100.00	100.00	100.00
Fusion Digital (2)	100.00	100.00	100.00	100.00
Grundig Elektronik (2)	-	-	83.03	83.03
Grundig Multimedia (2)	100.00	100.00	100.00	83.03
Grundig Austria (2)	100.00	100.00	100.00	83.03
Grundig Benelux (2)	100.00	100.00	100.00	83.03
Grundig Czech Republic (2)	100.00	100.00	100.00	83.03
Grundig Denmark (2)	100.00	100.00	100.00	83.03
Grundig Espana (2)	100.00	100.00	100.00	83.03
Grundig Finland (2)	100.00	100.00	100.00	83.03
Grundig S.A.S. (Grundig France) (3)	-	-	100.00	83.03
Grundig Intermedia (2)	100.00	100.00	100.00	83.03
Grundig Italy (2)	100.00	100.00	100.00	83.03
Grundig Hungary (2)	100.00	100.00	100.00	83.03
Grundig Norway (2)	100.00	100.00	100.00	83.03
Grundig Portugal (2)	100.00	100.00	100.00	83.03
Grundig Polska (2)	100.00	100.00	100.00	83.03
Grundig Slovakia (2)	100.00	100.00	100.00	83.03
Grundig Sweden (2)	100.00	100.00	100.00	83.03
Grundig Switzerland (2)	100.00	100.00	100.00	83.03
Raupach	100.00	100.00	100.00	100.00

(1) Included in the scope of consolidation as of 31 December 2009.
(2) As discussed in Note 3, Grundig Elektronik merged with Arçelik. With the dissolution of Grundig Elektronik as of 30 June 2009, ownership interests and economic interest in the related subsidiaries have been changed as above.
(3) Merged with Beko France as of 31 December 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

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

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

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

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

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

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

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

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

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

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

Going Concern

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

Offsetting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

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

Comparatives and restatement of prior periods' financial statements

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

- Arçelik Group recognises shipping and handling charges under sales discounts when these charges are collected from customers on behalf of the shipper in export sales invoiced on a Cost, Insurance and Freight ("CIF") basis and do not result in an increase in the economic benefit received by the Group. In the case that such export sales on a CIF basis take place as an intra-group transaction among the Group companies, which are included within the scope of consolidation, shipping and handling charges arising from the relocation of inventories in the Group and which were recognised under sales discounts in previous periods, are recognised in the current year under sales and marketing expenses to provide a better reflection of the economic nature of the transaction. As a result of this reclassification, there has been an increase of TRY76,751 in the Group's consolidated net sales income and sales and marketing expenses for the year ended 31 December 2008.

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

2.2 Restatement and Errors in the Accounting Policies and Estimates

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

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

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

2.4 Summary of significant accounting policies

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

Related parties

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

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

Trade receivables

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

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

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

Credit finance income/charges

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

Inventories

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

Financial investments

Classification

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

(a) Loans and receivables

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

(b) Available-for-sale financial assets

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

(c) Derivative financial instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

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

Recognition and measurement

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

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

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

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

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

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

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

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

Cash and cash equivalents

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

Investment property

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

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

Property, plant, equipment and related depreciation

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

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

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

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

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

Non-current assets held for sale

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

Intangible assets

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

a) Brands

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

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

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

b) Trademark licenses and patents

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

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

c) Development costs

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

d) Computer software

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

Business combinations and goodwill

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

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

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

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

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

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

Transactions with minority shareholders

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

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

Financial Leases

(1) The Group as the lessee

Finance leases

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

Operational leases

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

(2) The Group as the lessor

Operational leases

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

Financial liabilities and borrowing costs

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

Current and deferred income tax

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

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

Trade payables

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

Employment termination benefits

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

Foreign currency transactions

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

Revenue recognition

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

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

Investment, research and development incentives

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

Dividends

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

Warranty expenses

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

Paid-in capital

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

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

Share premium

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

Provisions

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

Contingent assets and liabilities

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

Earnings per share

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

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

Segment reporting

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

Reporting of cash flows

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

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

2.5 Critical accounting estimates and judgements

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

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

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

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

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

NOTE 3 - BUSINESS COMBINATIONS

Business combinations in 2009

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

On 27 May 2009 the Company management obtained authorisation from the CMB to execute the transactions to merge Grundig Elektronik into the Company through the transfer of all its assets and liabilities to the Company in accordance with the related articles of Turkish Commercial Code, Corporate Tax Laws and CMB Legislation based on the financial statements as of 31 December 2008 prepared in accordance with CMB Financial Reporting Standards. As a result of the merger decision taken at the Extraordinary General Assembly meeting held on 29 June 2009, Grundig Elektronik was dissolved on 30 June 2009 and, at the same date, the merger of Arçelik and Grundig Elektronik was realised. The pre-merger issued capital of Arçelik, which was TRY659,934, increased to TRY675,728 with an increase of TRY15,794 as a result of the merger. This increased capital, registered as of 30 June 2009, was covered by restricting the rights of current Arçelik shareholders to buy new shares and by the equity capital acquired from Grundig Elektronik. The exchange transactions carried out through a share swap of 0.1947 Arçelik shares for each Grundig Elektronik share began on 10 July 2009; Grundig Elektronik was delisted from the İstanbul Stock Exchange as of the same date. Arçelik shareholders and related shares are shown in Note 23.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

NOTE 3 - BUSINESS COMBINATIONS (Continued)

Business combinations in 2008

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

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

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

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

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

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

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

The details of cash outflow on acquisition are as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

NOTE 4 - JOINT VENTURES

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

NOTE 5 - SEGMENT REPORTING

The reportable segments of Arçelik have been organised by management into white goods and consumer electronics. The products included in white goods are washing machines, dryers, dish washers, refrigerators, ovens, cookers and air conditioners with similar features to these products in the white goods segment and the services provided for these products. Although each of the products mentioned above in the white goods segment constitutes a separate operational segment, they have been reported together since these products have similar economic characteristics and the quality of the products together with the quality of the production process, consumer types and transportation methods have similar features. The consumer goods reportable segment includes LCD televisions, televisions, computers, cash registers and the services provided to consumers for these products. Other sales include the revenues from all home appliances, furniture and kitchen gadgets except products included in white goods and consumer goods.

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

NOTE 5 - SEGMENT REPORTING (Continued)

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

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

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

NOTE 6 - CASH AND CASH EQUIVALENTS

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

The maturities of cash and cash equivalents are as follows:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

NOTE 7 - FINANCIAL INVESTMENTS

Non-current financial investments

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

a) Available-for-sale investments

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

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

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

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

b) Financial assets excluded from the scope of consolidation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

NOTE 8 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

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

Short-term bank borrowings

	2009	2008
TRY loans	9,612	798,227
Foreign currency loans	322,786	152,727
Eximbank loans	-	55,839
	332,398	**1,006,793**

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

	2009	2008
TRY loans	-	22.66
Foreign currency loans	3.16	6.76

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

b) Long-term financial liabilities

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

NOTE 8 - FINANCIAL LIABILITIES (Continued)

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

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

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

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

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

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

NOTE 9 - OTHER FINANCIAL LIABILITIES

Derivative financial instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

NOTES 10 - TRADE RECEIVABLES AND PAYABLES

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

Movement of provision for doubtful receivables are as follows:

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

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

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

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

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

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

NOTE 11 - OTHER RECEIVABLES AND PAYABLES

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

NOTE 12 - INVENTORIES

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

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

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

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

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

NOTE 13 - ASSOCIATES

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

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

Income from associates

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

The summary financial statements of associates

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

NOTE 14 - INVESTMENT PROPERTY

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

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT

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

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT

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

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

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

NOTE 16 - INTANGIBLE ASSETS

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

As of 31 December

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

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

Brand impairment test

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

NOTE 17 - GOODWILL

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

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

Goodwill impairment test

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

NOTE 18 - GOVERNMENT GRANTS

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

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

NOTE 19 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Commitments and contingent liabilities are as follows:

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

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

NOTE 19 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Derivative financial instruments

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

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

Contingent assets and liabilities are as follows:

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

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

NOTE 20 - PROVISIONS

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

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

NOTE 21 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

NOTE 21 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (Continued)

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

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

NOTE 22 - OTHER ASSETS AND LIABILITIES

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

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

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

NOTE 23 - EQUITY

Paid-in capital

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

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

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

The shareholding structures of the Company are as follows:

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

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

Additional contribution to shareholders' equity related to the merger

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

Revaluation Fund

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

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

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

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

NOTE 23 - EQUITY (Continued)

Restricted Reserves

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

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

Accumulated profits

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

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

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

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

Dividend Distribution

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

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

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

NOTE 23 - EQUITY (Continued)

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

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

NOTE 24 - SALES AND COST OF SALES

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

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

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

NOTE 26 - EXPENSES BY NATURE

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

NOTE 27 - OTHER INCOME AND EXPENSES

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

NOTE 28 - FINANCIAL INCOME

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

NOTE 29 - FINANCIAL EXPENSES

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

NOTE 30 - TAX ASSETS AND LIABILITIES

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

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

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

NOTE 30 - TAX ASSETS AND LIABILITIES (Continued)

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

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

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

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

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

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

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

NOTE 30 - TAX ASSETS AND LIABILITIES (Continued)

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

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

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

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

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

NOTE 31 - EARNINGS PER SHARE

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

	2009	2008
Net income attributable to the equity holders of the parent	485,410	39,794
Weighted average number of ordinary shares with nominal value Kr1 each	57,157,175,000	42,575,300,000
Earnings per share (Kr)	**0.8493**	**0.0935**

NOTE 32 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

(i) Related party balances

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

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

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

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

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

(e) Derivative financial instruments

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

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

(ii) Transactions with related parties

(a) Sales of goods and services

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

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

(*) Group companies include Koç group companies.

(c) Sale of available for sale investments

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

(d) Key management compensation

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

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

(e) Other transactions

	2009	2008
Dividends paid	3,140	102,037
Interest expense	13,733	53,718
Interest income	3,012	1,985

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Liquidity Risk

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

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

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

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

	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year - 5 years	More than 5 years
Current liabilities (non-derivative):						
Financial liabilities	1,923,727	1,975,708	645,263	1,330,445	-	-
Trade payables	762,402	767,712	703,280	64,432	-	-
Other payables	33,984	33,981	28,365	5,616	-	-
Provisions	204,659	204,659	115,594	89,065	-	-
Other current liabilities	169,288	169,288	160,035	9,253	-	-
	3,094,060	**3,151,348**	**1,652,537**	**1,498,811**	**-**	**-**
Non-current liabilities (non-derivative):						
Financial liabilities	188,314	191,773	-	-	191,773	-
Trade payables	67,380	86,578	-	-	34,932	51,646
Provisions	60,761	60,761	-	-	60,761	-
Other non-current liabilities	6,501	6,482	-	-	6,482	-
	322,956	**345,594**	**-**	**-**	**293,948**	**51,646**
	3,417,016	**3,496,942**	**1,652,537**	**1,498,811**	**293,948**	**51,646**

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

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

Derivative financial instruments (*)

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

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

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

Derivative financial instruments (*)

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

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

NOTE 33 - 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 are crucial. In order to keep the exposure of financial liabilities to interest rate changes at a minimum, "fixed interest/ floating interest", "short-term/ long-term", "TRY/ foreign currency" balance should be structured consistent within and with assets in the balance sheet.

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

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

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

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

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

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

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

Funding risk

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

Credit risk

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

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

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

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

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.

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

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

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

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

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

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

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

a) Credit quality of financial assets

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

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

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

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

c) Geographical concentration of the trade receivables

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

Foreign exchange risk

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

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

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

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

Foreign currency position

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

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

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

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

	EUR	USD	GBP	RON	PLN	TRY Equivalent
Current assets						
Trade receivables	262,938	102,843	94,593	326,590	29,078	980,257
Monetary financial assets	10,904	3,188	3,167	-	11,070	41,678
Other	15,257	28,616	29	-	-	76,116
Non-current assets						
Non-monetary financial assets	-	-	-	-	-	-
Total assets	**289,099**	**134,647**	**97,789**	**326,590**	**40,148**	**1,098,051**
Current liabilities						
Trade payables	76,629	73,911	876	2,419	-	279,043
Financial liabilities	155,081	26,522	-	-	-	374,956
Other monetary financial liabilities	7,296	35,373	1,993	-	-	73,784
Other non-monetary financial liabilities	-	-	-	-	-	-
Non-current liabilities						
Trade payables	-	44,750	-	-	-	67,380
Financial liabilities	87,000	-	-	-	-	187,946
Other monetary financial liabilities	-	-	-	-	-	-
Other non-monetary financial liabilities	-	-	1,488	-	-	3,555
Total liabilities	**326,006**	**180,556**	**4,357**	**2,419**	**-**	**986,664**
Net balance sheet position	**(36,907)**	**(45,909)**	**93,432**	**324,171**	**40,148**	**111,387**
Off-balance sheet derivative financial assets	27,464	26,104	2,000	-	-	103,414
Off-balance sheet derivative financial liabilities	(15,000)	-	(68,000)	(100,000)	(21,600)	(211,208)
Net position of off-balance sheet items	12,464	26,104	(66,000)	(100,000)	(21,600)	(107,666)
Net foreign currency asset/ (liability) position	**(24,443)**	**(19,805)**	**27,432**	**224,171**	**18,548**	**3,721**

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

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

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

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

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

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

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

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

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

31 December 2009	Gain/Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
+/-10% fluctuation of USD rate				
USD net asset/liability	(6,913)	6,913	(6,913)	6,913
Secured portion from USD risk (*)	3,930	(3,930)	3,930	(3,930)
USD net effect	**(2,983)**	**2,983**	**(2,983)**	**2,983**
+/-10% fluctuation of EUR rate				
EUR net asset/liability	(7,973)	7,973	(8,348)	8,348
Secured portion from EUR risk (*)	2,693	(2,693)	2,693	(2,693)
EUR net effect	**(5,280)**	**5,280**	**(5,655)**	**5,655**
+/-10% fluctuation of GBP rate				
GBP net asset/liability	22,323	(22,323)	29,802	(29,802)
Secured portion from GBP risk (*)	(15,769)	15,769	(15,769)	15,769
GBP net effect	**6,554**	**(6,554)**	**14,033**	**(14,033)**
+/-10% fluctuation of RUB rate				
RUB net asset/liability	1,614	(1,614)	15,241	(15,241)
Secured portion from RUB risk (*)	(489)	489	(498)	498
RUB net effect	**1,116**	**(1,116)**	**14,743**	**(14,743)**
+/-10% fluctuation of RON rate				
RON net asset/liability	-	-	18,088	(18,088)
Secured portion from RON risk (*)	-	-	-	-
RON net effect	**-**	**-**	**18,088**	**(18,088)**
	(593)	**593**	**38,226**	**(38,226)**

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

31 December 2008	Gain/Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
+/-10% fluctuation of USD rate				
USD net asset/liability	(10,929)	10,929	(10,929)	10,929
Secured portion from USD risk (*)	13,077	(13,077)	13,077	(13,077)
USD net effect	**2,148**	**(2,148)**	**2,148**	**(2,148)**
+/-10% fluctuation of EUR rate				
EUR net asset/liability	(44,208)	44,208	(35,378)	35,378
Secured portion from EUR risk (*)	22,827	(22,827)	9,885	(9,885)
EUR Net Etki	**(21,381)**	**21,381**	**(25,493)**	**25,493**
+/-10% fluctuation of GBP rate				
GBP net asset/liability	15,576	(15,576)	19,036	(19,036)
Secured portion from GBP risk (*)	(14,696)	14,696	(14,696)	14,696
GBP net effect	**880**	**(880)**	**4,340**	**(4,340)**
+/-10% fluctuation of RUB rate				
RUB net asset/liability	-	-	16,933	(16,933)
Secured portion from RUB risk (*)	-	-	-	-
RUB net effect	**-**	**-**	**16,933**	**(16,933)**
+/-10% fluctuation of RON rate				
RON net asset/liability	-	-	26,957	(26,957)
Secured portion from RON risk (*)	-	-	-	-
RON net effect	**-**	**-**	**26,957**	**(26,957)**
	(18,353)	**18,353**	**24,885**	**(24,885)**

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

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

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

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

Capital Risk Management

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

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

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

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

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

Fair value of financial instruments

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

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

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

Financial Assets

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

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

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

Financial Liabilities

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

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

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

NOTES TO THE CONSOLITADED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER

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

NOTE 35 - SUPPLEMENTARY CASH FLOW INFORMATION

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

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

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

NOTE 36 - SUBSEQUENT EVENTS

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

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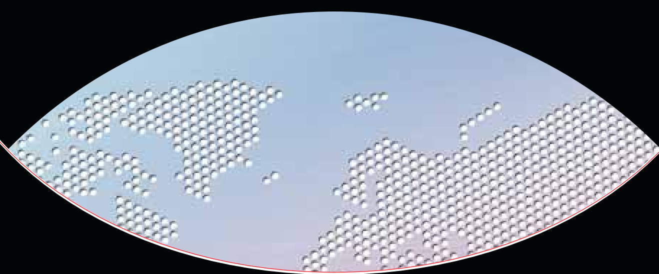

ANNUAL REPORT 09

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