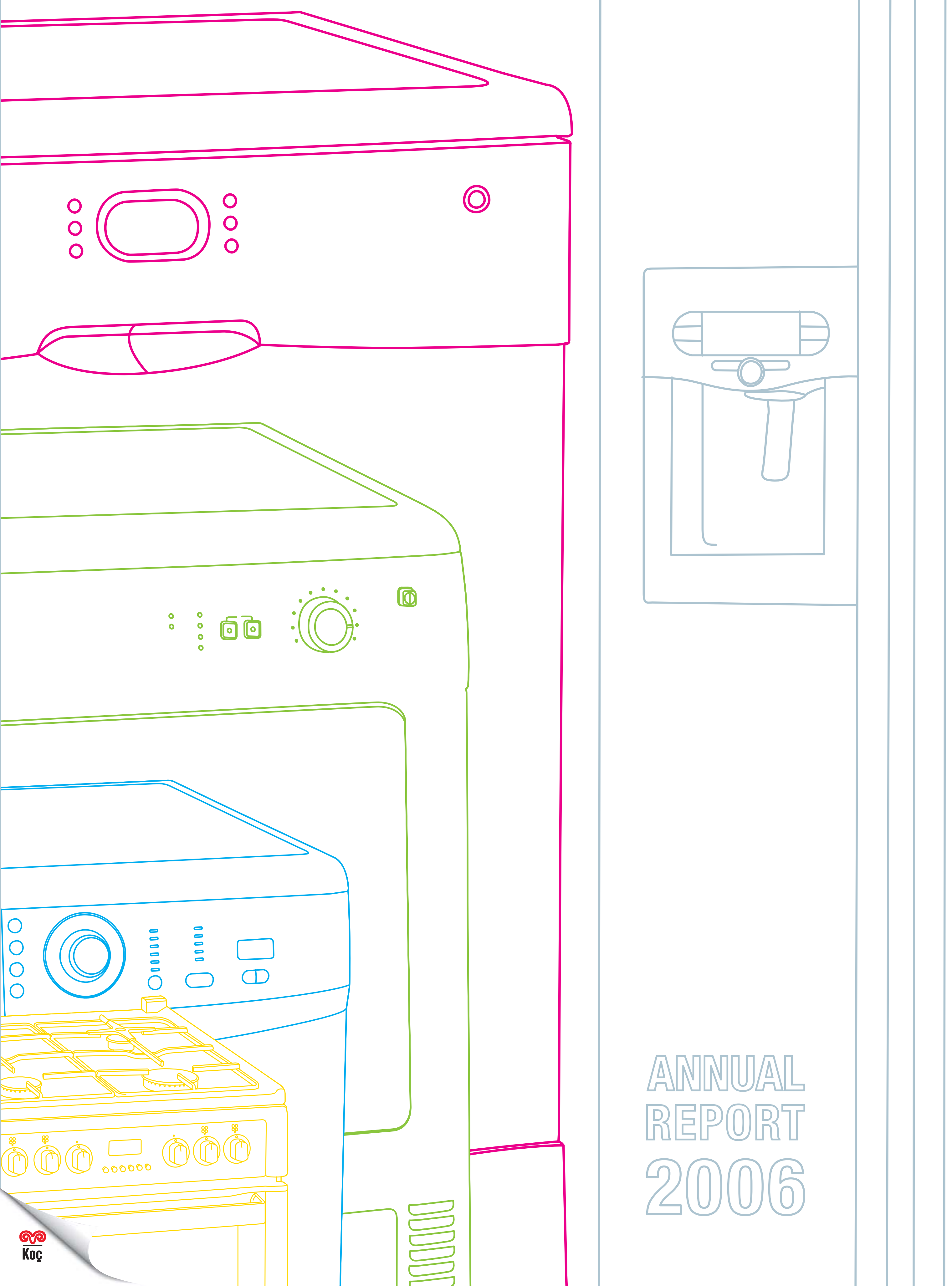
arçelik



ANNUAL REPORT 2006

Koç

CONTENTS

ARÇELİK MEANS...

50+	Since 1955… more than half a century of experience
PRODUCT+	Production and marketing of durable goods, components, consumer electronics and after-sales services
15,000+	More than 15,000 employees
4,500+	The leader of the Turkish household appliances market with more than 4,500 dealers and 600 services
TRY 7 BILLION	TRY 7 billion in consolidated revenues in 2006
10	Ten production plants in three countries
9	Nine brands
13	Thirteen subsidiaries abroad
100+	Products and services in more than 100 countries on five continents
EUR 181 MILLION	EUR 181 million in investments in 2006
PRODUCTION+	The largest household appliances producer in Turkey and the 3rd largest in Europe
75 MILLION+	Products and services provided to approximately 17 million households in Turkey and 75 million households worldwide

MILESTONES

1955 1999

1955

Arçelik commences operations in Sütlüce.

1959

Arçelik produces the first washing machine in Turkey.

1960

Arçelik produces the first refrigerator in Turkey.

1968

Arçelik moves its production plant to Çayırova.

1975

The Eskişehir Refrigerator Plant begins production.

1977

Ardem Pişirici ve Isıtıcı Cihazlar Sanayi A.Ş. is established in partnership with Türk Demir Döküm Fabrikaları A.Ş.

The Eskişehir Compressor Plant begins production.

1979

The Izmir Vacuum Cleaner Plant begins production.

1991

Arçelik establishes its R&D center.

Arçelik launches its Customer Information Service.

1993

The Ankara Dishwasher Plant begins production.

1996

The Çayırova Air Conditioner Plant begins production.

1997

Arçelik receives the National Quality Award.

1998

Arçelik launches its three-year warranty initiative.

Arçelik decides to implement the Six Sigma Methodology.

1999

Arçelik acquires Ardem Pişirici ve Isıtıcı Cihazlar Sanayi A.Ş.

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

2000 2003

2000

Arçelik receives the European Quality Award (EFQM).

Arçelik-LG Klima Sanayi ve Ticaret A.Ş. begins production.

2001

Arçelik acquires the domestic marketing and sales operations of Beko branded products from Beko Ticaret A.Ş.

Arçelik moves the Izmir Vacuum Cleaner and Topkapı Motor Pump Plants to its new Çerkezköy Plant to improve efficiency.

2002

Beko becomes the leader of the British refrigerator market.

Arçelik introduces the “Digital Life Project” at Berlin’s Hometech Fair.

Arçelik purchases German household appliances manufacturer Blomberg, Austrian household appliances manufacturer Elektra Bregenz, and Tirolia. Arçelik also acquires British household appliances brands Leisure and Flavel, as well as the Romanian household appliances company Arctic.

Arçelik unveils its new logo reflecting its innovative and dynamic nature.

2003

Arçelik starts selling smart products.

The Six Sigma training manual mentions Arçelik.

The Banker, a magazine by Financial Times, selects Arçelik the “Best Turkish Company in 2003”.

2004

Arçelik decides to invest in Russia.

The Eskişehir Refrigerator Plant receives the TPM Excellence Award and the Çayırova Plant receives the TPM Continuous Excellence Award.

The British Energy Saving Trust recommends Beko dishwashers for their superior energy performance.

The European Energy Commission announces the “Blomberg CT 1300A” refrigerator as the “Most Energy-Efficient Refrigerator” at the Energy+ Competition.

The prestigious German consumer magazine Stiftung Warentest lauds Beko dishwashers as among the “Best Buys” in the German market.

The Blomberg washing machine receives the “Design Award” at Plus X, the largest technology competition in Germany.

2005

Arçelik celebrates its 50th anniversary.

Arçelik lays the foundations of its Russia plant.

Arçelik launches the first “Arctic Chest Freezer” line at its Gaesti plant in Romania.

The Company continues to expand its product range with major investments in technology and R&D, and breaks new ground by producing the first domestic tumble dryer in Turkey.

Arçelik completes Blomberg's product range, a brand which combines advanced technology with German design and has received several awards in the environment, design, efficiency and technology categories.

In the furniture industry, Arstil grows to 80 stores and holds its first dealers' meeting.

ALMANAC 2006

JANUARY

CORPORATE SOCIAL RESPONSIBILITY PROJECT "STANDING UNITED FOR EDUCATION WITH ARÇELİK" CONTINUES AT FULL SPEED

The program reached 101 schools and almost 80,000 students in 24 provinces between 2004 and 2006.

STANDING UNITED FOR EDUCATION
arçelik

BEKO LEADS THE BRITISH REFRIGERATOR MARKET

In 2006, Arçelik's **"World Brand"** Beko maintained its leadership in the British refrigerator market.

FEBRUARY

TWO MORE AWARDS FROM JAPAN…

The Ankara Dishwasher Plant and Çerkezköy Electric Motors Plant received the **TPM Excellence Award** in Japan, confirming its international success.

MARCH

EUR 25.6 MILLION INVESTMENT IN DRYER PLANT

The Company decided to move its tumble dryer production line from the Çayırova Plant in Istanbul to the Çerkezköy Industrial Zone in Tekirdağ. The Company plans to increase its production capacity to 800,000 units/year with an investment of EUR 25.6 million.

BEKO DISHWASHERS AND WASHING MACHINES ARRIVE IN CHINA

Arçelik, a global player in the EUR 100 billion global household appliances market, broke new ground by exporting dishwashers and washing machines from Turkey to China.

BEKO EXPORTS "ITS EXCLUSIVE SHOP" SYSTEM

In accordance with its strategy to grow in international markets via its branded products, the Company continued to introduce its **"Exclusive Beko Shop System"** to foreign markets.

Backed by fifty years of know-how and experience, the Company is expanding the exclusive shop system of Beko, simultaneously increasing its number of authorized dealers worldwide.

APRIL

ARÇELİK RECOGNIZES ENGINEERS AT "THE 8th ANNUAL INVENTION DAY"

Arçelik rewarded its engineers for producing new technologies. In all, 193 inventors who designed innovative products for the Company received awards at the 8th annual "Invention Day"

MAY

INTERNATIONAL RATING AGENCY FITCH RATES ARÇELİK

Fitch assigned Arçelik the highest ratings among Turkish companies.

ELEKTRA BREGENZ CHOSEN MOST INNOVATIVE BRAND IN EUROPE

Built-in ovens and refrigerators of the Austrian household appliances brand Elektra Bregenz, which joined Arçelik in 2002, won five awards at "Plus X 2006", one of Europe's most prestigious competitions.

ALMANAC 2006

JUNE

5,000,000th ARÇELİK DISHWASHER GOES TO THE USA

Arçelik produced its five millionth dishwasher at the Ankara Plant and exported it to the United States.

BLOMBERG TUMBLE DRYER CHOSEN BEST BUY IN EUROPE

The heat-pump dryer of the celebrated German brand Blomberg, which joined Arçelik in 2002, was chosen "Best Buy" in the June issue of "Test Achats/Test-Aankoop", published by the Belgian Consumers Association.

JULY

ARÇELİK PRODUCES TURKEY'S FIRST SIDE-BY-SIDE REFRIGERATOR

The Company broke new ground and started producing Turkey's first side-by-side refrigerator at its Eskişehir Plant.

AUGUST

ANOTHER INNOVATION BY ARÇELİK: THE QUICKEST DISHWASHER IN THE WORLD

Arçelik continued its unrivaled leadership in the household appliances industry by launching its high performance dishwasher, which saves time with its **58 minute, 65°C Express cycle.**

TURKISH PATENT INSTITUTE GRANTS ITS FIRST PRIZE TO ARÇELİK

The Company became the **"Patent Champion of Turkey"**, winning first prize in the Turkish Patent Institute's **first Patent League Awards.**

SEPTEMBER

YET ANOTHER INNOVATION BY ARÇELİK: THE WORLD'S QUICKEST WASHING MACHINE

Arçelik produced the world's quickest washing machine. Developed by the Company's R&D Department, this cutting edge machine can wash seven kilograms of lightly-soiled laundry in only thirty minutes.

EU ENVIRONMENTAL AWARDS GO TO ARÇELİK

In the inaugural national competition sponsored by REC (Regional Environmental Center) Turkey, Arçelik won first prize with its Blomberg refrigerator, as well as second prize with the "Ekolojist" dishwasher. The Company also represented Turkey in its first ever appearance at the European Business Awards for Environment held among EU member states and candidates.

OCTOBER

TURKISH BASKETBALL LEAGUE NAMED AFTER BEKO

Arçelik's world brand Beko sponsored the Turkish Men's Basketball Premiere.

ARÇELİK ACQUIRES BEKO ELEKTRONİK

Arçelik bought Beko Elektronik A.Ş. shares from Koç Holding A.Ş. (32.87%), Beko Ticaret A.Ş. (12.42%), Temel Ticaret ve Yatırım A.Ş. (0.8%), and members of the Koç family (4.01%). With this acquisition, Arçelik increased its interest in Beko Elektronik A.Ş. from 22.36% to 72.46%, becoming the largest shareholder.

ARÇELİK STARTS PRODUCTION IN RUSSIA

In line with its vision of "possessing one of the ten most preferred global brands in our sector by the year 2010", the Company started production at its Russian refrigerator-washing machine plant, whose construction began in June of 2005.

NOVEMBER

ANTALYA WELCOMES 1,500 BEKO AUTHORIZED DEALERS FROM AROUND THE WORLD

Arçelik held the **"2nd International Beko Authorized Dealers Meeting"** in Antalya, bringing together Beko dealers from Turkey and several other countries, including Lithuania, China, Russia, Poland, Spain and Greece.

"THE GENIUS OF LEONARDO" EXHIBITION

The world-renowned exhibit, "The Genius of Leonardo", was held at the Rahmi M. Koç Museum between November 2 and December 31 with the support of Arçelik. The exhibition featured replicas of machines built from Leonardo Da Vinci's original drawings, each one considered to be a wonder of engineering.

DECEMBER

ANOTHER INNOVATION FROM PATENT-CHAMPION ARÇELİK: THE "MINI TELVE"

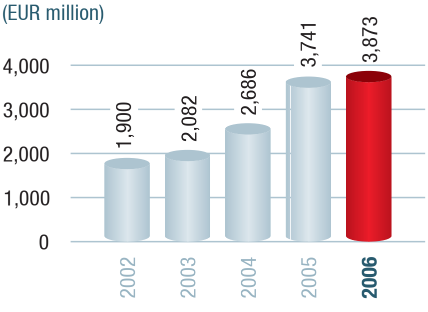
Following the launch of the popular Turkish coffee machine "Telve", which received the IF Design Award, Turkey's patent champion Arçelik launched the innovative "Mini Telve", the home version of the same product.

ARÇELİK PRODUCES THE 1,000,000th DISHWASHER AT ITS ANKARA PLANT

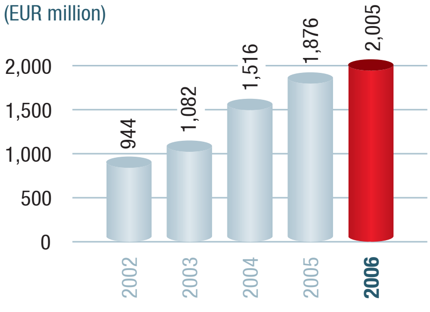
The Company displayed a strong performance in 2006 and reached a total production of more than one million dishwashers at its Ankara plant since its inauguration.

STRONG FINANCIAL RESULTS

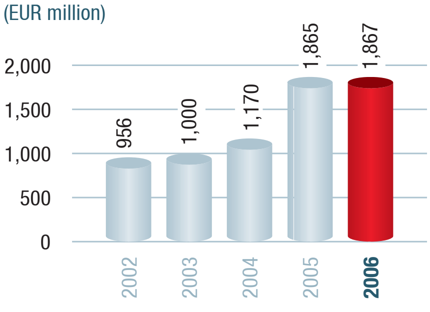
NET SALES - TOTAL
(EUR million)



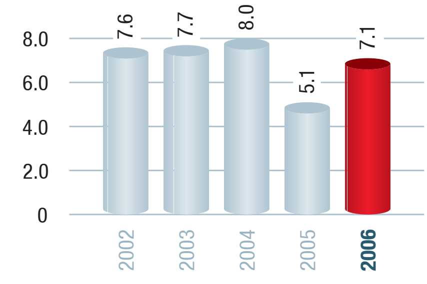
NET SALES - DOMESTIC
(EUR million)



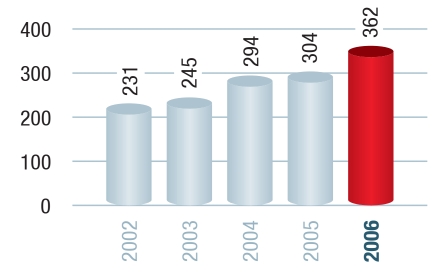
NET SALES - INTERNATIONAL
(EUR million)



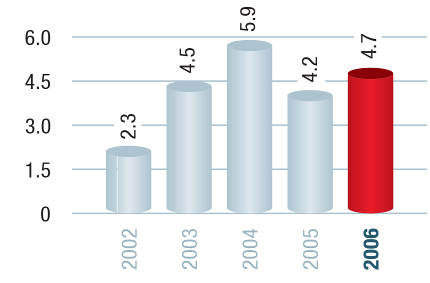
OPERATING MARGIN
(%)



EBIDTA
(EUR million)



NET MARGIN
(%)



PRODUCTION AND DISTRIBUTION

Head Office

Turkey/Istanbul	Headquarters

SALES AND MARKETING

Germany	Beko Deutschland GmbH
Austria	Elektra Bregenz AG
Czech Republic	Beko Cesko S.R.O.
China (Shanghai)	Beko Shanghai Trading Co.
France	Beko France S.A.
England	Beko Plc.
Spain	Beko Electronics Espana S.L.
Italy	Arcelitalia S.r.l.
Hungary	Beko Magyarorszag K.F.T.
Slovakia	Beko Slovakia S.R.O.
Poland	Beko S.A.

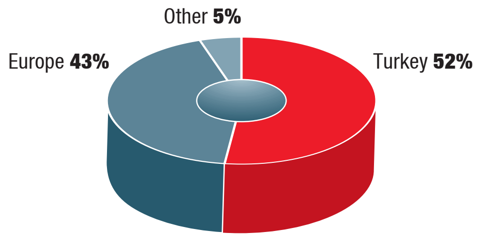
PRODUCTION AND MARKETING

Romania	Arctic S.A.
Russia	Beko L.L.C.

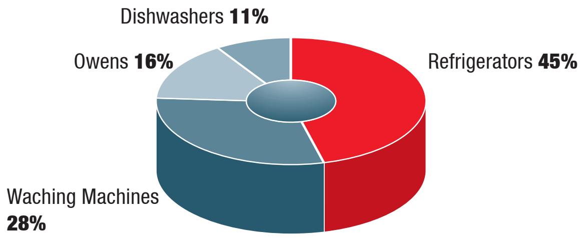
PRODUCTION PLANTS IN TURKEY

Eskişehir	Refrigerator Plant
Tuzla, Istanbul	Washing Machine Plant
Bolu	Cooking Appliances Plant
Ankara	Dishwasher Plant
Çerkezköy, Tekirdağ	Electric Motors Plant
Eskişehir	Compressor Plant
Taşdelen, Istanbul	Multi-Purpose Motor Plant

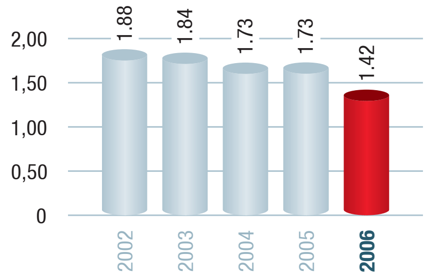
TOTAL CONSOLIDATED NET SALES BY REGION



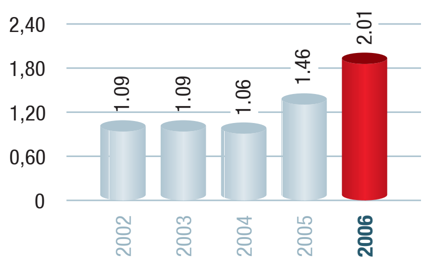
TOTAL CONSOLIDATED NET SALES OF WHITE GOODS BY PRODUCT

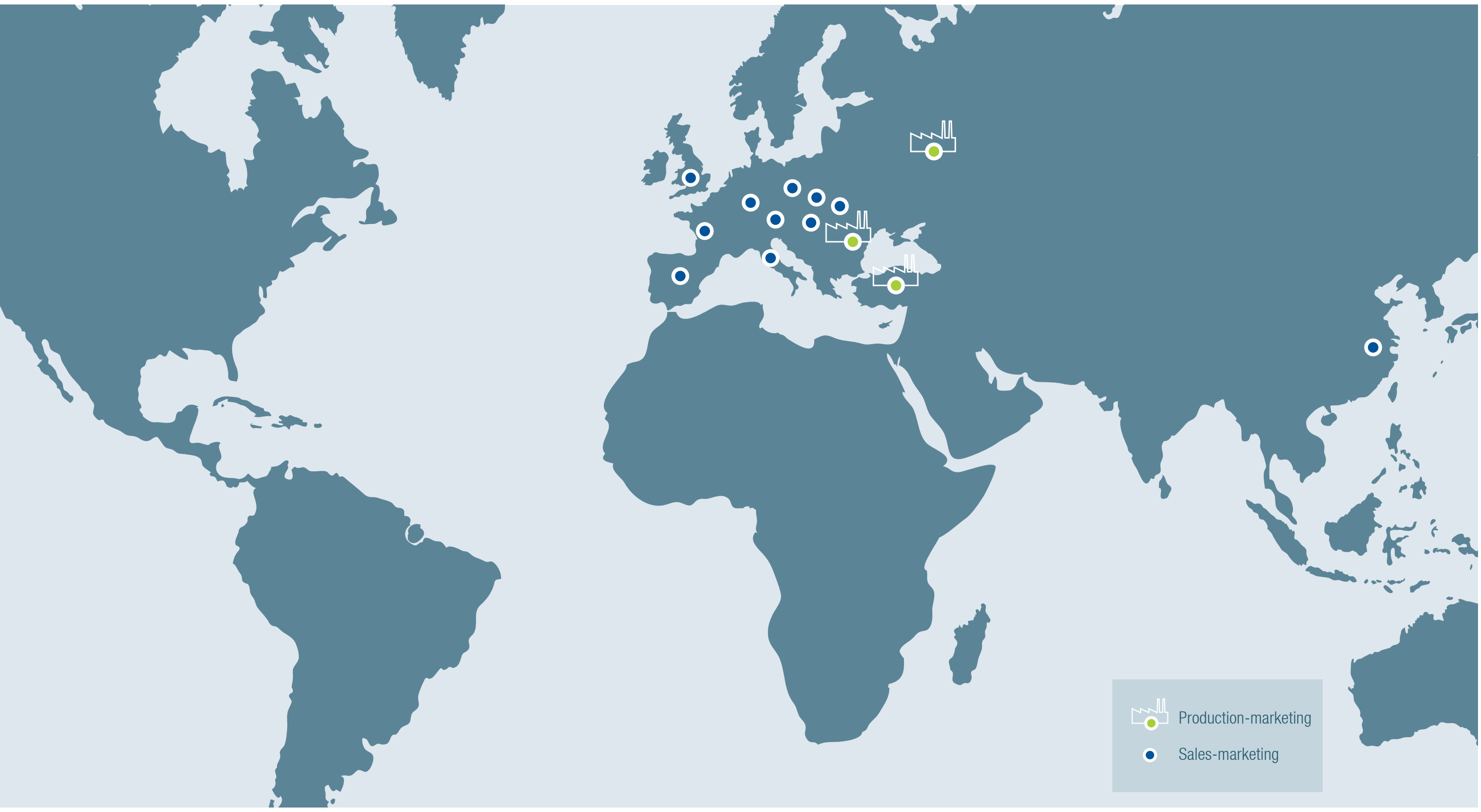


CURRENT RATIO



DEBT-TO-EQUITY RATIO





FIVE-YEAR CONSOLIDATED FINANCIAL REVIEW (EUR million)

	2006	2005	2004	2003	2002
1. Net Sales - Total	3,873	3,741	2,686	2,082	1,900
2. Net Sales - International	1,867	1,865	1,170	1,000	956
3. Gross Profit	1,026	896	672	542	505
4. Income from Operations	275	190	214	161	145
5. Income before Taxes and Minority Interest	202	179	228	134	100
6. Net Income	180	156	159	95	44
7. EBIT	275	190	214	161	145
8. EBITDA	362	304	294	245	231
9. Total Current Assets	2,268	2,181	1,372	1,110	1,001
10. Total Current Liabilities	1,592	1,261	791	605	532
11. Working Capital	676	919	581	505	469
12. Property, Plant and Equipment - Net	602	586	352	342	354
13. Total Assets	3,440	3,236	1,908	1,606	1,518
14. Total Liabilities	2,286	1,891	976	830	785
15. Minority Interest	18	51	12	11	13
16. Shareholders' Equity	1,136	1,294	919	764	721
17. Net Cash Provided by Operating Activities	(85)	194	108	202	15
18. Net Cash Used in Investment Activities	(260)	233	(120)	(64)	(69)
19. Cash Inflow before Financial Expenses	(345)	427	(12)	138	(54)
20. Dividends Paid	113	146	1	47	0
21. Cash and Cash Equivalents at the End of the Year	156	185	155	189	140
22. Capital Expenditures	181	153	105	78	43
23. Depreciation and Amortization	87	113	80	84	86
24. Year-end Number of Employees	15,774	14,986	10,841	9,725	9,349
Hourly	12,941	12,154	8,437	7,185	6,476
Salaried	2,833	2,832	2,404	2,540	2,873
25. Year-end Market Capitalization - (ISE)	1,966	2,647	1,803	1,788	1,110

* Except for 2006 and 2005, the above figures have been adjusted in accordance with the purchasing power of the Turkish Lira on December 31, 2004 and converted to Euro at the 2004 year-end exchange rate. In 2006 and 2005, the income statement items were converted to Euro at the average Euro rate, and the balance sheet items at the year-end Euro rate (Item 24 excluded).

** 2006 and 2005 figures are based on full consolidation with the Beko Elektronik Group. Figures for 2004 and preceding years are Arçelik figures only, and do not include Beko Elektronik Group's figures.

SHAREHOLDERS AND DIVIDENDS PAID

SHAREHOLDERS

	Paid-in Capital (TRY thousand)	Share (%)
KOÇ HOLDİNG A.Ş.	156,546	39.1
KOÇ GROUP OTHER	68,912	17.2
KOÇ GROUP TOTAL	**225,458**	**56.3**
TEKNOSAN A.Ş.	58,709	14.7
BURLA TİCARET VE YATIRIM A.Ş.	30,649	7.7
OTHER SHAREHOLDERS	85,144	21.3
TOTAL	**399,960**	**100.0**

DIVIDENDS PAID

Dividends distributed out of the 2001, 2002, 2003, 2004 and 2005 profits and their ratio to paid-in capital:

Year	Dividend Distributed (TRY thousand)	Paid-in Capital (TRY thousand)	Dividend Ratio (%)
2001	20,000	90,900	22.0
2002	145,440	145,440	100.0
2003	0	399,960	0
2004	229,177	399,960	57.3
2005	199,980	399,960	50.0

WE EXPECT A BRIGHT FUTURE THANKS TO OUR EXPERIENCE AND STRENGTH

Distinguished Members of the Arçelik Family,
Dear Shareholders,

The year 2006 witnessed major national and international developments. We expect that these will continue in 2007 and are optimistic about the future.

Before reviewing our Company's performance in 2006, I would like to note some important developments, which dominated the agenda, both in Turkey and around the world.

One of the most important events in world politics was the defeat of US President George Bush's Republican Party by the Democrats in the House of Representatives and Senate elections in the last days of 2006.

The NATO summit of 2006 signaled a change in NATO's mission statement. Terrorism, the proliferation of weapons of mass destruction and difficulties in transmitting energy to international markets were listed among the key problems NATO is expected to face in the coming days. These developments are crucial not only because Turkey is a member of NATO but also because they may have a direct impact on the situation in Iraq. Turkey is about to enter a new era and has to evaluate very carefully all the opportunities and risks involved.

On the other hand, we are entering a new phase in EU-Turkey relations. Accession negotiations are not totally free of problems and heated debate concerning Turkey's membership is continuing. We are following this process closely and hope that the result will be in the best interests of the country.

Meanwhile, Turkey's political agenda in 2007 will be dominated by the presidential elections in May and the general elections in November. Navigating through these two elections without creating too much tension is crucial for the stability of both Turkish politics and the economy.

We can opine that the turbulence in financial markets was the most important event in the world economy in 2006. Even so, the world's economies were able to resist the shocks and continued to grow.

In 2006, it was the Asian countries, and especially the giants China and India with growth rates of 10% and 8% respectively, which became the driving forces of global economic growth. Japan, which has been struggling with deflation for years, signaled that it might begin to grow again. While the effects of hurricane in the US has slowed down the growth, the EU growth, which had decelerated due to oil prices, recovered last year. The world economy, which grew 5.1% in 2006, is expected to continue to grow in 2007, albeit possibly below the levels of the last three years.

Also in 2006, developing countries experienced one of their best years on record thanks to demand and capital flows coming from major developed economies. Asia accounted for 35% of global output and 26% of global trade.

While the current account deficit increased in the US and East Asian economies, China in particular, continued to have a current account surplus and increased its foreign exchange reserves.

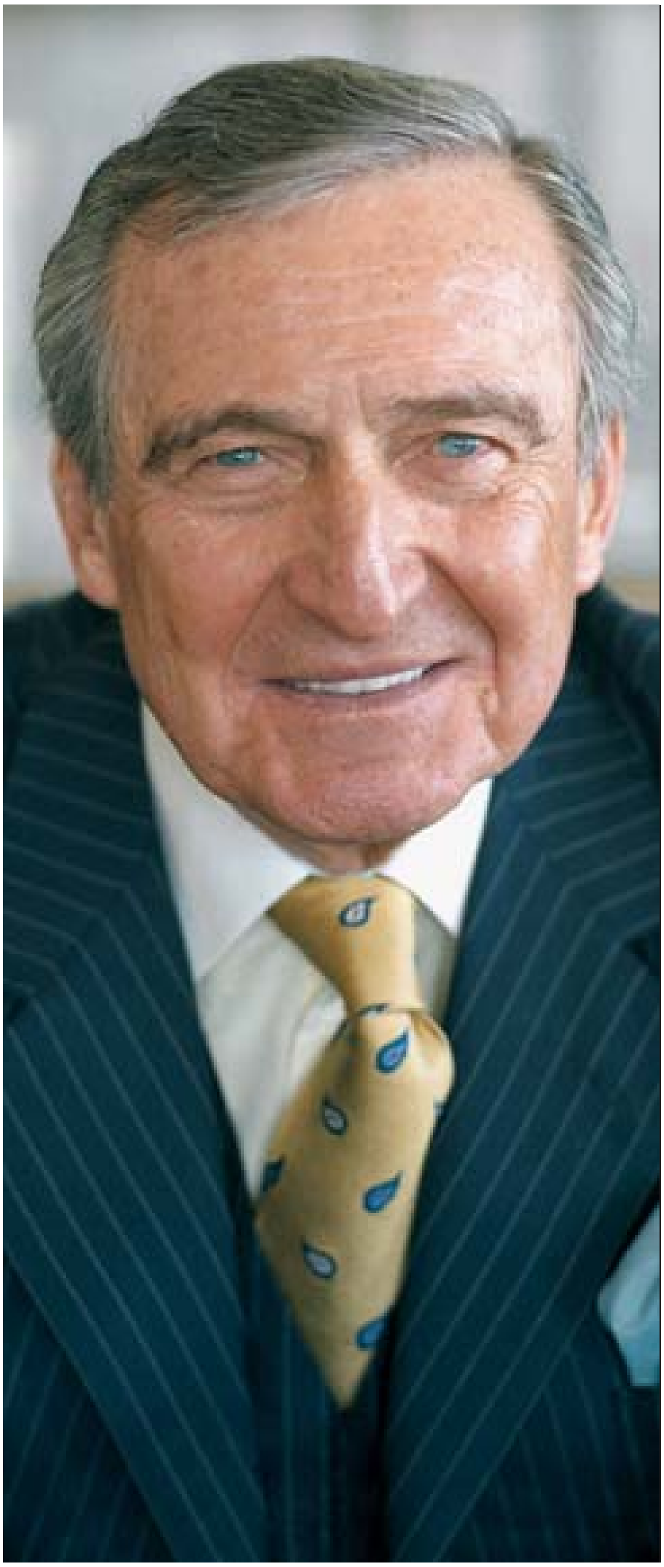
In 2006, developed countries adhered to their tight monetary policies to combat inflationary pressures. While the Federal Reserve increased its interest rate to 5.25% by the end of 2006, the European Central Bank ended the year at 3.50%.

The decline in the US inflation rate is expected to take time, given that it peaked in 2006 at 3.6%. Inflation in the Euro Zone is expected to be around 2%.

In 2007, it is anticipated that oil prices will fall below last year's levels and prices are expected to stabilize. This decline will probably be as a consequence of OPEC's decision to continue producing 40% of the world's total oil production and the relative easing of tensions in the Middle East.

In 2006, the Company consolidated its leadership in the domestic market and made significant progress in foreign markets.

Arçelik has played a significant role in the success of the Koç Group.



As in the last five years, Turkey is expected to reach its 5% growth target in 2007 thanks to a strong performance in the first half of the year. The growth rate in 2007 may reach 5.5% largely thanks to political stability and IMF-backed economic strategies and policies.

The expected slowdown in domestic demand due to rising interest rates may offset the upward pressure on inflation and the current account deficit. The consumer price index, which was around 9.65% at the end of 2006, is expected to fall to 4% by the end of 2007. Tight monetary policies are required to achieve this target. However, inflation may remain at the upper limit of the Central Bank's estimation range, that is, at around 7%. In order to achieve high and sustainable growth, it is necessary to reach a consensus in the political arena, maintain stability and implement reforms, as well as to continue privatization efforts and increase foreign investment. In order to achieve this, we must all assume major responsibilities.

Furthermore, 2006 was a very special year for the Koç Group since it celebrated its 80th anniversary. Since its inception, the Group has continuously improved itself and last year was no exception. In this regard, Arçelik has played a significant role in the success of the Koç Group.

In 2006, the Company consolidated its leadership in the domestic market and made significant progress in foreign markets.

With over fifty years of experience, Arçelik both increased the number of its authorized dealers in the international market and continued to export its “Beko Exclusive Shop System”. At a time when Chinese imports were threatening several industries, Arçelik exported, for the very first time, its R&D Department-developed dishwashers and washing machines to China. The Company also exported its products to a new market, the United States.

REPORT OF THE BOARD OF DIRECTORS AND MESSAGE FROM THE CHAIRMAN

In 2006, the Company marked an 11.4% increase in its consolidated sales revenue, growing from TRY 6.3 billion to TRY 7 billion. The share of international sales in the consolidated revenue reached 48%.

Last year Arçelik started production at its Beko Refrigerator-Washing Machine Plant and its Beko Elektronik LLC Television Plants in Russia, which, unlike the Group's other acquisitions and partnerships, were fully designed and constructed abroad. This investment was a part of Arçelik's strategy to grow in foreign markets and strengthened Beko's position in the global market.

One of the most important steps taken in 2006 by the durable goods group was Arçelik's increasing its share in Beko Elektronik to 72.46%, thus becoming the largest shareholder. This acquisition aims to combine two complementary operations under a single management and to consolidate our position in the industry. Additionally, the synergies created by the merger will foster a faster decision-making process. Despite the fluctuations in the market, Arçelik's strong year-end figures testify to its success in 2006.

In 2006, the Company marked an 11.4% increase in its consolidated sales revenue, growing from TRY 6.3 billion to TRY 7 billion. The share of international sales in the consolidated revenue reached 48%.

With its more than 15,000 employees, high capacity and pioneering production plants, strong brands, extensive authorized dealer and service network, foreign sales and marketing companies, which supply services in more than 100 countries worldwide, Arçelik is a remarkable success story. The Company is expanding rapidly and will continue to contribute to the Group's success at a growing pace.

I sincerely believe that our ever-increasing performance, experience and strength will make 2007 a year when our dreams will come true. I would like to express my deepest gratitude to all the members of our Group for their contribution to our Company. Likewise, I would like to thank our business partners, authorized dealers, authorized services and suppliers with whom we share our achievements, as well as our distinguished shareholders who have always supported us. I am also grateful to my valuable colleagues. Finally, I am thankful for our domestic and foreign customers, who believe in us and use our products.

I hope that we will all have healthy, peaceful and successful days in 2007.

Yours sincerely,

RAHMİ M. KOÇ
CHAIRMAN
ARÇELİK

BOARD OF DIRECTORS 2006

Rahmi M. Koç	Chairman
Dr. Bülent Bulgurlu*	Vice Chairman
Robert Sonman	Member
Mustafa V. Koç	Member
Semahat S. Arsel	Member
F. Bülend Özaydınlı	Member
Temel K. Atay*	Member
M. Ömer Koç	Member
A. Gündüz Özdemir	Member

BOARD OF AUDITORS

Serkan Özyurt

Mert Ş. Bayram

* Dr. Bülent Bulgurlu and Temel K. Atay are also members of the Audit Committee. Members of the Board of Directors are elected every year at the Ordinary General Meeting as described in the Articles of Association.

All members started their terms on April 5, 2006.

"GOAL 2010, TOP TEN"

Esteemed Shareholders and Business Partners,

In 2006, Arçelik further consolidated its undeniable leadership in Turkey and strengthened its position in international markets.

With a rich history of more than fifty years, our Company is today the third largest household appliances producer in Europe.

As one of the most closely-watched protagonists in the global industry, Arçelik's high-quality products which exceed customers' expectations, its innovative in-house technology and cutting-edge R&D activities, the strong global brands and high-capacity production plants all combined to enable the Company to grow rapidly in 2006.

Since embarking upon our journey, we have always relied on the motto of our Founder, Vehbi Koç, who said, "As long as democracy exists and thrives, so do we". Therefore, as we expand our production and investment efforts, we continue to contribute to the national economy.

Before discussing what 2006 meant for our Company, I would like to briefly summarize the major developments in Turkey and our expectations concerning the future.

When we examine the national economy and look at fiscal balances, we see that the risk of high inflation accompanied by a large current account deficit is one of the most significant economic problems. In 2006, the current account deficit increased by 37.2% over 2005, exceeding USD 31 billion.

In 2006, the budget-deficit-to-GNP ratio fell below 1%, which is the lowest level in the last 25 years, and well below the maximum level of 3% prescribed in the EU's Maastricht Criteria. This ratio is lower than that of many developed European states, including the UK and France.

Thanks to an increased confidence in the future and the rising wave of optimistic expectations, the inflow of foreign capital stood at USD 17.5 billion, setting an historical record. The 12-month export volume increased by 15.9% over 2005, reaching USD 85.1 billion, breaking another record. Imports increased by 17.3%, reaching USD 137.3 billion. In 2007, exports are expected to reach USD 95 billion, assuming that the current optimism concerning the economy prevails.

Turkey has been growing since the 2001 crisis and, with a national income of USD 380 billion in 2006, has become the world's 20th largest economy. Therefore, it is vital at this juncture that macroeconomic strength and political and financial stability be sustained. In particular, it is important that EU accession negotiations continue without interruption and that the 2007 elections be completed without damaging the national stability.

All things considered, I believe that 2007 will be a bright year for Turkey, a year filled with hope.

The size of the global household appliances market is approximately 322 million units, with a value of about EUR 100 billion. Developed regions such as Japan, North America and Western Europe account for 63% of this market. However, the share of these regions in terms of world population (6.4 billion) is only 13%. Turkey has a 3% share in the global market.

According to data supplied by the Turkish White Goods Suppliers Association, domestic household appliances sales increased in 2006 by 5.1% and overall sales volume exceeded 5 million units, in line with expectations. With a growth of 32.9%, exports exceeded expectations, reaching 10 million units. In 2007, the Company aims to increase its unit sales volume by 6.1% in the domestic market and 17.2% in international markets, for an aggregate growth of 13.5%.

With its Arçelik, Beko and Altus brands, the Company strengthened its leading position in the domestic household appliances market. One of the cornerstones of the Company's leadership in the domestic market is its authorized dealership network. The very fact that competitors are adopting the same model proves that this is the best approach for the demographic and socio-economic structure of Turkey.

Arçelik not only exports its products but also its sales and distribution model, which it has developed in Turkey. Consequently, from Serbia to Mongolia and Ukraine to Lebanon, the Company has almost 200 "Exclusive Shops" selling only Beko products. It aims to increase the number of these shops to 500 within the next three years.

Arçelik not only exports its products but also its sales and distribution model, which it has developed in Turkey.

In 2006, the Company's consolidated international household appliances sales volume reached 6.5 million units, reflecting a 24% growth over 2005 figures.

In 2006, the Company's household appliances output increased by 23% over the previous year, reaching almost ten million units. Also last year, the Company's consolidated international household appliances sales volume reached 6.5 million units, reflecting a 24% growth over 2005 figures. The production target for 2007 is 11 million units.

Arçelik adopts effective and well-planned production and investment strategies in foreign markets, especially in Eastern European countries, Russia and the CIS.

In line with its strategy to expand into international markets, one of the Company's most important developments in 2006 was its achievements in Russia, where it has been operating since 1997. In October of 2006, Arçelik held an opening ceremony for its refrigerator, washing machine and television plants in Russia. In all, the Company invested EUR 90 million in these plants, which will produce 900,000 refrigerators and washing machines annually. The target is to reach a market share of 10% and revenues of over EUR 100 million in washing machine production. In the next three years, the Company aims to become one of the three largest brands in the Russian market. I sincerely believe that this investment will make the Beko brand even stronger in international markets.

In recent years, the influence of China and other Far Eastern countries on the sector has been growing rapidly. In response to this trend, Arçelik established a sales and marketing company in Shanghai. In March of 2006, the Company exported Beko-branded washing machines and dishwashers to China for the very first time. By November of 2006, it had 46 sales points and four chain stores in seven provinces in China. Having sold more than 4,000 products, the Company's revenue target in 2007 for the Chinese market is EUR 10 million. Following the exports to China, the Company exported dishwashers to the US, the largest household appliances market in the world. With the addition of new products, the Company expects its business volume in the US to increase rapidly.

At the plant of Romanian household appliances leader Arctic S.A., which the Company acquired in 2002, Arçelik started producing chest freezers in 2006. Following its investment of EUR 5 million in this plant in 2005, the Company has produced more than one million freezers by the end of the last year.

MESSAGE FROM THE GENERAL MANAGER

Supported with our solid performance, I believe that 2007 will be a year of opportunities for our Company.

Arçelik's corporate history shows that defining a consistent vision and adopting the right strategies to achieve this vision are the keys to success.

Undoubtedly, companies operating in the consumer electronics and household appliances industries have a significant competitive advantage in the durable consumer goods market. Aiming to strengthen its position in this sector, Arçelik became Beko Elektronik's largest shareholder, increasing its interest from 22.36% to 72.46%. A review of existing cooperation opportunities between the two companies revealed that management from a single Headquarters would create significant advantages in terms of brand management and implementation of its globalization strategy.

With this acquisition, the Company aims to achieve higher efficiency and cost-savings, leading to better national and international coordination, thereby consolidating its position within the industry.

Arçelik's corporate history shows that defining a consistent vision and adopting the right strategies to achieve this vision are the keys to success. The Company's vision is “to possess one of the ten most preferred global brands in our sector by the year 2010”. It aims to accomplish this vision by reaching EUR 6 billion in consolidated revenue and a 2% market share in 2010, with a 14% average annual growth rate.

The Company contributes to both the economic and social development of Turkey. Committed to maintain sustainable development, the Company completed several important projects in the areas of education, the environment, sports and culture in 2006. The Company's human resources are the key to this vision. Through communication initiatives launched in 2006, Arçelik aims to communicate its vision, strategic targets and values to all its employees in Turkey and abroad.

Supported with our solid performance, I believe that 2007 will be a year of opportunities for our Company. Thanks to our knowledge and skills, our confidence in our vision and our commitment to success, we intend to make the most of these opportunities. We will continue to produce, break new ground, offer innovations, contribute to the national economy and sustain our rapid and profitable growth.

I am sure that 2007 will be a year filled with achievements in which we will exceed our targets. I would like to thank our shareholders, business partners and the entire Arçelik family for their important contribution to our success.

Yours sincerely,

GÜNDÜZ ÖZDEMİR
GENERAL MANAGER

MANAGEMENT 2006

Dr. Fatih Kemal Ebiçlioğlu
Assistant General Manager-
Finance and Accounting

Dr. Ebiçlioğlu began his career in 1989 as an Assistant Tax Inspector at the Ministry of Finance. He has been working at Arçelik since 2005 as the Assistant General Manager in charge of Finance and Accounting.

Şirzat Subaşı
Assistant General Manager-
Turkey Marketing and Sales

Mr. Subaşı, who started his career in 1986 as a Sales Representative at Beko Ticaret A.Ş., has been working at Arçelik since 2003 as the Assistant General Manager in charge of Turkey Marketing and Sales.

Aka Gündüz Özdemir
General Manager

After beginning his career in 1972 as a Sales Representative at Beko Ticaret A.Ş., Mr. Özdemir was appointed the General Manager of Arçelik in 2003.

Mustafa Nadir Yalçınalp
Assistant General Manager-
International Marketing and Sales

Mr. Yalçınalp's career started in 1977 as a Finance Officer at Türk Demirdöküm A.Ş.. Since 2005, he has been Arçelik's Assistant General Manager in charge of International Marketing and Sales.

Atilla İlbaş
Assistant General Manager-
Production and Technology

Mr. İlbaş began his career in 1979 as a Project Engineer at the Arçelik Headquarters, and has been serving as the Assistant General Manager in charge of Production and Technology since 2005.

MANAGEMENT 2006 (as at December 31, 2006)

Aka Gündüz Özdemir	General Manager
Atilla İlbaş	Assistant General Manager - Production and Technology
Dr. Fatih Kemal Ebiçlioğlu	Assistant General Manager - Finance and Accounting
Mustafa Nadir Yalçınalp	Assistant General Manager - International Marketing and Sales
Şirzat Subaşı	Assistant General Manager - Turkey Marketing and Sales

Ahmet İhsan Ceylan	Information Technologies Department
Ahmet Sakızlı	Product Planning and Coordination Director
Ali Tayyar	Accounting Director - Headquarters/Plants
Cemal Can Dinçer	International Sales Director - Non-European Markets
Dr. Cemil İnan	Research and Development Director
Ercüment Gülşen	Beko Sales Director
Ferhat Erçetin	Purchasing Director
Hilmi Cem Akant	International Sales Director - Europe and Business Development
İhsan Somay	Accounting Director - Sales/Marketing
İsmail Hakkı Sağır	Product Director - Refrigerator
Koral Boro	Arçelik Sales Director
Mehmet Savaş	Product Director - Cooking Appliances
Murad Şahin	Marketing Director
Mustafa Türkay Tatar	Finance Director
Salih Arslantaş	Product Director - Dishwasher
Serdar Sözeri	Consumer Services and Logistics Director
Sibel Kesler	Budget, Reporting and Analysis Director
Şemsettin Eksert	Product Director - Washing Machine
Şerife Füsun Ömür	Human Resources and Strategic Planning Director

Ahmet İhsan Ceylan
Mr. Ceylan started his career as a Programmer at Döktaş in 1989 and has been the Information Technologies Director of Arçelik since 1999.

Ahmet Sakızlı
Mr. Sakızlı began his career in 1980 as a Maintenance and Production supervisor at Hisar Çelik Döküm A.Ş. and has been working at Arçelik as the Product Planning and Coordination Director since 2003.

Ali Tayyar
Beginning his career in 1981 as a Payments Officer at Arçelik, Mr. Tayyar has been working as the Accounting Director - Headquarters/Plants since 2000.

Cemal Can Dinçer
Mr. Dinçer started his career at the Arçelik Finance Department in 1993 and was appointed the International Sales Director - Non-European Markets in 2005.

Dr. Cemil İnan
Dr. İnan began his career in 1987 as a Research Assistant at Dokuz Eylül University. Since November 1, 2006, he has been serving as Arçelik's Research and Development Director.

Ercüment Gülşen
Mr. Gülşen's career started in 1988 as a Sales Representative at the Ankara Sales Department and, since February 1, 2006, he has been working as Beko Sales Director.

Ferhat Erçetin
Beginning his career in 1976 as the Energy and Maintenance Manager at Elka Elyaflı Plaka T.A.Ş., Mr. Erçetin has been working as the Purchasing Director at Arçelik since 2005.

Hilmi Cem Akant
Mr. Akant commenced his career in 1987 as a Project Manager at Tioxide (France) and has been working at Arçelik since 2005 as the International Sales Director - Europe and Business Development.

İhsan Somay
Mr. Somay's career started in 1979 as an Accounting Officer at Atılım A.Ş. Since 2000, he has been the Accounting Director - Sales/Marketing at Arçelik

İsmail Hakkı Sağır
Mr. Sağır joined Arçelik in 1980 as a Project Engineer and has been serving since 2002 as the Product Director - Refrigerator.

Koral Boro
Mr. Boro commenced his career in 1983 as a Sales Representative at Beko Ticaret A.Ş. and has been Arçelik Sales Director since February 1, 2006.

Mehmet Savaş
Mr. Savaş began his career in 1987 as a production engineer at Arçelik and was appointed the Product Director - Cooking Appliances in 2005.

Murad Şahin
Mr. Şahin joined Arçelik as a Market Researcher in 1993 and has been working as the Marketing Director since 2005.

Mustafa Türkay Tatar
Mr. Tatar started his career in 1991 as a Treasury Expert at Türk Eximbank's Treasury Department and has been working since 2005 as the Finance Director at Arçelik.

Salih Arslantaş
Joining Arçelik in 1987 as a Project Engineer and Metal Sheet Production Supervisor, Mr. Arslantaş has been serving since 2003 as the Product Director - Dishwasher.

Serdar Sözeri
Mr. Sözeri began his career as a Production Planning Engineer at Arçelik in 1984. He was appointed the Consumer Services and Logistics Director in 2005.

Sibel Kesler
Ms. Kesler, who began her career in 1989 as a Project Officer at Tüyap A.Ş., has been serving as the Budget, Reporting and Analysis Director of Arçelik since 2005.

Şemsettin Eksert
Mr. Eksert joined Arçelik as a Project Engineer in 1988 and has been the Product Director - Washing Machine since November 1, 2006.

Şerife Füsun Ömür
Ms. Ömür started her career in 1987 as a Project Engineer in the R&D Department at Koç Holding. She has been the Human Resources and Strategic Planning Director of Arçelik since 2005.

“TO POSSESS ONE OF THE TEN MOST PREFERRED GLOBAL BRANDS IN OUR SECTOR BY THE YEAR 2010”

LARGEST HOUSEHOLD APPLIANCES PRODUCER IN TURKEY AND THIRD LARGEST IN EUROPE

Data from the last five years show that Arçelik increased its international revenue by an average of 18% per annum.

Arçelik's successful performance in 2006 is evidenced by its financial statements. The Company's consolidated revenue, which was TRY 6.3 billion in 2005, increased by 11.4% in 2006, amounting to TRY 7 billion. The consolidated revenue target for 2007 is TRY 8.3 billion. In 2006, the share of international sales in the consolidated revenue reached 48%. With continuous investments and projects, the Company aims to increase this percentage rate even more in the next couple of years.

Data from the last five years show that Arçelik increased its international revenue by an average of 18% per annum. The Company has been taking confident steps to becoming a global player and aims to increase its international sales by 17% in 2007.

In 2006, Arçelik maintained its market leadership and made significant progress in line with its strategy of growing with strong brands. An indicator of the soundness of the Company's strategy is the fact that branded sales had an 80% share in the overall international sales revenue.

While consistently growing in international markets as it competes with world giants, Arçelik has simultaneously increased its profitability. Its gross margin in 2006 was 26.5%, while operating profit reached TRY 494 million, EBIDTA TRY 651 million, and net profit TRY 324 million.

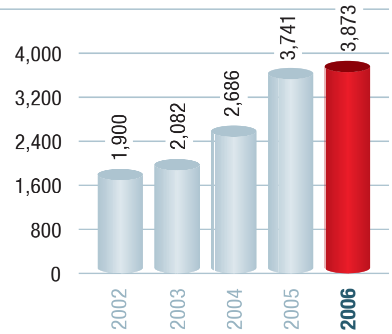
Of Arçelik's TRY 6.4 billion balance sheet footing, 33% consists of equity, amounting to a total of TRY 2.1 billion. This is composed of the capital invested by the shareholders and funds generated as a result of operations. These data clearly demonstrate Arçelik's strength and ability to create shareholder value.

Parallel with its balance sheet, high profitability, international sales capacity and brand value, Arçelik's market value grew to TRY 3.6 billion by the end of 2006.

In 2005, Arçelik spent EUR 153 million on capacity expansion and product development, a figure which reached EUR 181 million in 2006. The Company aims to spend almost EUR 183 million in 2007 on dryer investment projects, capacity expansions, new models, modernization, R&D activities, maintenance, logistics and warehouse investment projects.

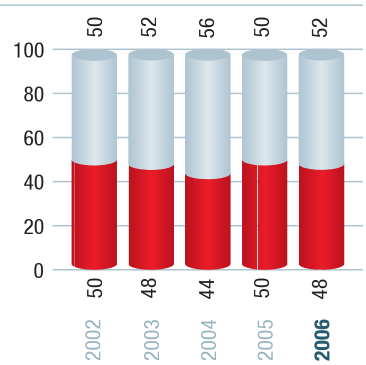
Thanks to intensive investments, Arçelik increased the capacity of its dryer line at the Çayırova Washing Machine Plant to 220,000 units in 2006. The Company also decided to invest EUR 25.6 million in a new tumble dryer plant in Çerkezköy, in order to meet the increasing demand and improve its competitiveness in production.

CONSOLIDATED SALES REVENUE
(EUR million)



BREAKDOWN OF CONSOLIDATED SALES REVENUE
(%)

DOMESTIC
INTERNATIONAL



PRODUCTION AND SALES

TARGETING 14% AVERAGE ANNUAL GROWTH IN THE NEXT FIVE YEARS

Arçelik is planning to strengthen its long-term leadership in the domestic market and to improve brand-awareness and sales volumes in international markets.

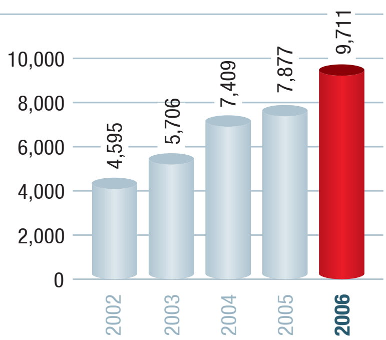
Arçelik delivered a very strong performance in 2006 both in terms of production and sales, raising the bar even further. It is committed to adopting creative production and effective sales and services policies, and aims to grow annually by an average of 14% between 2006 and 2011. The net revenue of the Company is expected to reach EUR 6 billion in 2010.

The Company's profitability and financial results also reflect an excellent performance and exceed industry averages. One of the most important objectives of the Company is to maintain its profitability by making the necessary investments and to continue generating economic profits.

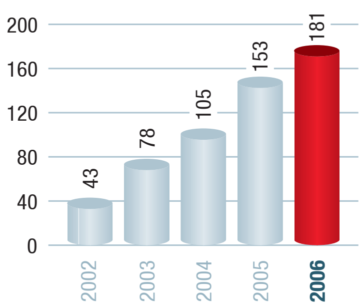
In the near future, Arçelik is planning to strengthen its long-term leadership in the domestic market with more than 4,500 authorized dealers and more than 600 after-sales service points (in household appliances and electronics), and to improve brand-awareness and sales volumes in international markets. In 2010, the Company aims to seize at least 2% of the worldwide market with its Beko brand. Yet another target is to obtain at least 50% of its consolidated net revenue from international sales.

Arçelik continues to develop products that offer a wide range of benefits to consumers and consistently positions itself one step ahead of the competitors. The Company plans to launch new initiatives in this direction, in the near future.

PRODUCTION
(four main products)
(Thousand units)



INVESTMENTS
(EUR million)



IN GLOBAL MARKETS FROM EUROPE TO CHINA

Arçelik believes that the key to success in the global marketplace is to grow with its own brands.

The Company believes that the key to success in the global marketplace is to grow with its own brands.

According to an analysis by the independent research company GfK covering 27 nations including European countries, Turkey and Russia, the Company has garnered a 10% market share in the region.

In 2006, the Company became the leader of the British refrigerator market by amassing a 16.7% market share with its Beko brand. At the same time, it grabbed 9.1% of the British washing machine market. The Company's achievements in Europe, however, are not limited to the United Kingdom or the Beko brand. The Company's worldwide success includes increasing its market shares in European markets via its branded products. The Company has a 4.1% market share in Germany with its Beko dishwashers, a 6.4% share in Poland with its Beko refrigerators, and a combined share of 31.6% in the Romanian household appliances market with its Arctic and Beko brands. Beyond this, it has also gained 5.5% and 4.7% market shares in Russia with its Beko washing machines and ovens, respectively. Furthermore, it is the market leader in the Belgian oven market with a 24.7% share. In 2006, the Company broke new ground by exporting washing machines and dishwashers to China for the first time.

In 2006, the Company also exported dishwashers to the United States and managed to increase its revenue from branded products in the international household appliances market by 21%. Backed by its strong global brands, the Company is targeting a growth of 25% next year.

TECHNOLOGY THAT MAKES A DIFFERENCE

Arçelik is the technology and patent leader of Turkey. The Company is proud to own 13% of the patents issued in Turkey and 45% of the international patent applications filed by Turkish companies with the World Intellectual Property Organization in the past three years.

Arçelik is aware that developing innovative technologies is the key to sustaining its long-term leadership in the domestic market and to becoming a first-rate global player. Accordingly, the Company is continuously expanding its product range by investing significant funds in technology.

Arçelik is the technology and patent leader of Turkey. The Company is proud to own 13% of the patents issued in Turkey and 45% of the international patent applications filed by Turkish companies with the World Intellectual Property Organization in the past three years.

Thus far, Arçelik has registered more than 300 patents and received 32 international awards. The Company confirmed its leadership in patents in 2006 with 136 patent applications and by winning the first prize in the inaugural “TPI-Patent League Awards” organized by the Turkish Patent Institute.

BREAKING NEW GROUND IN 2006:

INNOVATIVE AND FAST

Arçelik produced the world's quickest washing machine, which perfectly washes 7 kilos of lightly-soiled laundry in only 30 minutes with maximum water efficiency.

With its strong reputation for always pioneering in the industry through its commitment, discipline, accurate strategies and consistent vision, Arçelik broke new ground in 2006 with two key innovations. First, it produced the world's quickest washing machine, which perfectly washes 7 kilos of lightly-soiled laundry in only 30 minutes with maximum water efficiency. Second, the Company produced the world's quickest dishwasher, which washes a full 12-person set of dishes in only 58 minutes at Performance Level A.

Yet another important development in 2006 was the opening of Turkey's first side-by-side refrigerator plant in Eskişehir. Furthermore, following the granting of the “IF Design Award” for its Turkish coffee machine “Telve”, Turkey's patent champion Arçelik offered consumers a mini Turkish coffee machine, the home version of “Telve”.

NEW BUSINESS OPPORTUNITIES

EXCLUSIVE SHOP SYSTEM IN THE GLOBAL MARKET

By the end of 2006, the number of international stores using Exclusive Shop System reached 200.

Through its “Beko Exclusive Shop System”, Arçelik has transferred its fifty years of experience to international markets. The Company adopts Founder Vehbi Koç's formula for success: “High-quality products, a strong sales organization and effective after-sales services”.

In line with its strategy of driving growth with branded products, Arçelik is expanding its “Exclusive Shop System” which exclusively offers Beko household appliances at sales offices and distributors abroad. By the end of 2006, the number of international stores using this system reached 200, including those located in Eastern Europe, the Baltic Republics and the CIS.

In order to offer products and services that make life more comfortable at home, the Company supports its growth strategy with non-core businesses. It offers a wide range of products from furniture and computers to home textiles and small appliances. In 2007, in order to increase its sale of household appliances with Arstil Furniture, the Company plans to open large-scale stores in several cities, in partnership with authorized dealers.

STRONG BRANDS

In white goods and electronical products, the Company strengthens its leadership in the domestic market with the brand names of Arçelik, Beko and Altus and continues to grow abroad with Beko and Blomberg.

arçelik

- Leading brand of the Turkish household appliances market
- Innovative and advanced technology
- The first brand that comes to mind in Turkey*
- Extensive product range including household appliances, built-in products, electronic products, air-conditioners, fitted kitchen sets, and small appliances
- The strongest sales and after-sales service network in Turkey

**ACNielsen Research, 2006*

BEKO

- Extensive product range including free-standing and built-in household appliances and electronic products meeting diverse consumer needs in international markets
- Turkey's second largest brand in the household appliances and electronics market, with an extensive and high-quality product range
- Producer of high-performance electronic washing machines, tumble dryers and dishwashers
- Pioneer of the Turkish electronics and IT products market with an extensive hi-tech product range
- "World Brand" motto associating Beko with Turkish populace

ALTUS

- A brand for consumers in need of economical durable goods
- Product range composed of static and frost-free refrigerators, washing machines, dishwashers, ovens, vacuum cleaners, air-conditioners, TV sets and small appliances
- Capable of reaching consumers through diverse channels including supermarkets, hypermarkets and retailers selling various brands and wholesalers

Blomberg

- Free-standing and built-in household appliances combining advanced technology with German design
- Product range designed by the celebrated Frog Design office
- Branded products sold in 42 countries in 2006, including the US and China




arctic

- Largest local brand and market leader in Romania with a market share over 30%
- Strongest brand in Romania with a 96% brand-recognition rate
- The only cooler producer in Romania
- Extensive product range including coolers, washing machines, ovens, dishwashers, combination boilers, vacuum cleaners and TV sets
- More than one million units manufactured in 2006 at the Gaesti plant near Bucharest

elektrabregenz

- 114-year-old Austrian brand
- One of the best known household appliances brands in Austria, with a 89% brand-recognition rate in 2005
- Complete product range including free-standing, built-in household appliances and water boilers
- Presence in all sales channels in Austria
- Wide perception among consumers as a creative and technologically superior brand, confirmed by numerous awards

LEISURE

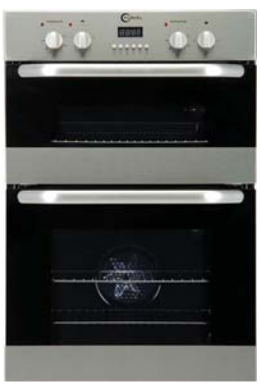
- Leading brand in the British free-standing cooking appliances market
- Built-in cookers and dishwashers added to a product range including elegant gas cookers, electric cookers and 100-cm cookers
- More extensive product range in 2007 with new additions

FLAVEL

- Among the leading household appliances brands in the British and Irish markets
- Free-standing and built-in household appliances offering the most economical solutions to consumers

arstil

- Furniture and home accessories brand launched in 2005
- More than 1,500 first-rate products, including furniture, bed frames, carpets and home textile products
- Stylish, trendy, modern, economical and high quality products and services
- Consistent with its motto “New Styles in Life”, a pioneer in design and style compatible with Arçelik values such as service, health and safety



NATIONAL AND INTERNATIONAL AWARDS

The awards given to Arçelik highlight its success in domestic and international markets.

- In 2006, the Company won the first prize in the first-ever "TPI-Patent League Awards" organized by the Turkish Patent Institute, for having filed the highest number of patent applications (136).
- Elektra Bregenz refrigerators and built-in ovens won five awards in the 2006 Plus X competition. The refrigerator received awards in the "Innovation" and "Ecology" categories, and the built-in oven in the "Design" and "Ease-of-use" categories. The Elektra Bregenz brand also won the "Most Innovative Brand" award.
- Blomberg combi refrigerators and built-in pyrolytic ovens won four awards in the 2006 Plus X competition. The combi refrigerator received the award in the "Innovation" and "Ecology" categories, and the built-in pyrolytic oven in the "Design" and "Ease-of-use" categories.
- The Test-Achats/Test-Aankoop magazine, published by the Belgian Consumer Association, chose Beko WMD 56140 washing machine as the "Best Buy". The magazine also chose Beko D 8879 built-in dishwasher as the "Best Buy" for the second time, from among the leading ten brands of the world.
- "Which", the popular consumer magazine in Britain, chose the Beko DWD 5410 dishwasher as the "Best Buy".
- With its Blomberg refrigerators and Arçelik Ekolojist™ dishwashers, Arçelik represented Turkey in the EU Environmental Awards Competition held among EU member states and candidates. Turkey was invited to this competition for the first time this year.
- Europe's largest purchasing group, EURONICS's UK member CIH Ltd. (Combined Independent Holdings), chose the Company's UK sales and marketing company BEKO PLC as the "Supplier of the Year".
- Among the top eight dishwasher brands worldwide, Blomberg received the highest rating in consumption, performance and quality in an assessment by prestigious German Consumer Magazine Stiftung Warentest. Blomberg was also chosen as the best multi-purpose dishwasher, with its nine wash programmes.
- Blomberg's heat-pump dryer was chosen as a "Best Buy" by the Belgian Consumer Association's 'Test-Achats/Test-Aankoop' magazine.
- In an assessment by Stiftung Warentest, Blomberg's heat-pump dryer received the highest rating in terms of price, performance, safety, ease-of-use and quality.
- Blomberg was chosen as a "Super Brand" in Denmark.

Production Process Awards in 2006:

- The Eskişehir Refrigerator Plant received a TPM (Total Productive Maintenance) Continuous Excellence Award.
- The Romania Arctic Cooling Appliances Plant received a TPM Excellence Award.

PLUS X AWARD
ausgezeichnet für:
Design
Bedienkomfort

PLUS X AWARD
ausgezeichnet für:
Innovation
Ökologie

INNOVATIVE PRODUCTS WITH MODERN TECHNOLOGY

With production facilities equipped with high capacity, state-of-the-art technology, Arçelik has earned prestigious awards for quality.

Refrigerator Plant Eskişehir

With a production volume of over 2.7 million units, this Plant maintained its leadership among other single-campus plants in Europe in 2006. As the world's largest refrigerator plant under a single roof, it exported 64% of its output to more than seventy countries.

The Plant demonstrated its technological superiority through the design and production of Europe's most energy-efficient refrigerator in 2004.

With 30 new patent applications in 2006, the Plant increased its total number of cooler patents to 191. Furthermore, it received a TPM Continuous Excellence Award to confirm the TPM Excellence Award it received in 2004. Its Elektra Bregenz combo refrigerator won “Innovation” and “Ecology” awards in the 2006 Plus X Competition, while its Blomberg refrigerator won first prize in a nationwide competition held by REC Turkey (Regional Environmental Center) as part of the EU Environmental Awards. Thanks to the Plant's extensive know-how, the first side-by-side refrigerator in Turkey was designed and produced there. The active blue light, fresh freeze and automatic icemaker features were used for the first time in the manufacture of this product.

Turkey became the second country in Europe after Italy in the mass-production of side-by-side refrigerators. The Plant also broke new ground with the design of the “Super No Frost” refrigerator, the highest-capacity refrigerator in its category in Turkey.

The Refrigerator Plant shares its technology and experience with the Arctic-Romania and Beko LLC Russia refrigerator plants.

Washing Machine Plant Tuzla, Istanbul

As a consequence of a new dryer unit platform installed in 2006, dryer exports increased to 220,000 in 2006, up from around 30,000 units in 2005. A new plant will be established considering the growing demand.

Because of the widespread implementation of the TPM and 6-Sigma processes in production, the Plant's output in 2006 exceeded 3 million units. The Plant that received TPM Excellence and TPM Continuous Excellence Awards, is Europe's largest front-loading automatic washing machine plant under a single roof.

The manufacturing facility added new electronic products to its range in 2006. This significantly improved the Plant’s competitiveness with the launch of the world's quickest washing machine, which washes 7 kilograms of laundry in 30 minutes with a brushless DC motor designed by Arçelik engineers.

The internationally acclaimed German VDE Institute issued a VDE Quality Certificate for the washing machine developed at the Plant, as well as for its hygiene, washing quality and ease-of-use. The superiority of the Plant in washing-drying and hygiene technologies was confirmed by foreign consumer magazines, which chose its washing machines and heat-pump dryers as “best buys”.

Cooking Appliances Plant Bolu

The Cooking Appliances Plant possesses the highest single-campus production capacity in Europe and exports 70% of its output. In 2006, the Plant's production capacity stood at 2 million units and increased its output 20% over 2005.

Refrigerator and Compressor Plant-Eskişehir

Washing Machines Plant-Istanbul

Customer satisfaction was enhanced when investments were made in the rapidly-growing built-in oven and stove markets and the electronic and self-cleaning ovens were introduced at this manufacturing facility. Moreover, touch-screen stoves were added to the product range.

Dishwasher Plant Ankara

The Plant, which proved its effectiveness in 2005 by winning a TPM Excellence Award, is also fully committed to winning the "Continuous Excellence Award" with its flexible production line. After almost reaching full capacity in 2006, work began on expanding the Plant's capacity and efforts continued to produce "Best Buy" products for European countries.

The world's most water-efficient dishwasher in 2005, the "Ekolojist" (which delivers Level-A performance), was produced at this Plant, which launched the world's quickest dishwasher in 2006. In addition to 60-cm standard free-standing and built-in products manufactured at this facility, the product range with 45-cm standard free-standing and built-in products was completed. Each product is continuously being improved in terms of ease-of-use, appearance and technology.

In 2006, the Plant announced its target to be the world's largest single-campus dishwasher producer by 2010.

Electric Motors Plant Çerkezköy, Tekirdağ

The product range at this Plant, which received the TPM Excellence Award in 2005, was expanded to include the brushless DC motors driving the world's quickest washing machines. Output was increased by 20% over 2005, producing more than 8.5 million units in 2006. The Plant also began to produce mini Turkish coffee machines here.

Compressor Plant Eskişehir

Compressors for the Arçelik Eskişehir, Arctic-Romania and Beko LLC Russia Refrigerator Plants were produced at this plant in 2006. Having produced more than 33 million units thus far, the Plant undertakes high-quality production at international standards, making it extremely competitive in the market. TPM and 6-Sigma methodologies are employed here to implement cost-saving, quality and process improvement projects. In 2006, work was carried out on new models to improve the Plant's competitive edge.

Multi-Purpose Motor Plant Taşdelen, Istanbul

In 2006, over 470,000 motors of various ratings were produced at this Plant. Of its output, 59% was exported to seventeen countries including Germany, France, the UK, Spain, Taiwan and China. A decision was made at the end of 2006 to merge this plant with the Çerkezköy Electric Motors Plant, and relocation is expected to be completed by the end of March 2007.

Cooling Appliances Plant Arctic Gaesti, Romania

The position of Arctic in the market was consolidated with major investments following its acquisition by Arçelik. This enabled Arctic Plant to export 70% of its output and maintain its market leadership with a share of approximately 50%. Arctic is now the largest household appliances producer in Romania and the strongest local brand with a 96% brand-recognition rate. The Plant received a TPM Excellence Award in 2006.

Arctic is a giant household appliances producer with an annual capacity of over 1.2 million units, thanks to its extensive product range and recent technology transfers and investments.

Beko LLC Refrigerator and Washing Machine Production Facility Russia

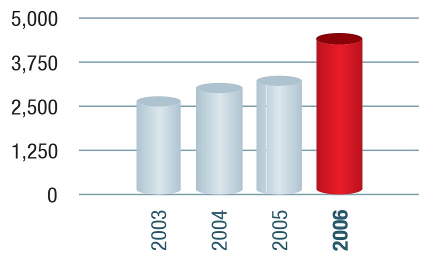
The Beko LLC Refrigerator and Washing Machine Facility, the first plant constructed by the Koç Group outside Turkey, was formally opened on October 13, 2006. Groundbreaking occurred on June 28, 2005 and the washing machine line was tested less than a year later, on June 13, 2006. Soon thereafter, on August 15, 2006, the refrigerator line was opened.

In all, EUR 80 million have been spent on the refrigerator and washing machine production lines. The Facility, which extends over a 545,000 m^2 open space and a 60,000 m^2 enclosed area, will be producing annually 900,000 units during the initial stages.

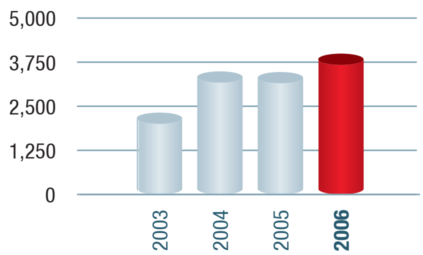
In line with Arçelik's strategy to grow internationally, the Beko brand was launched in the Russian market in 1997. Since then, efforts have been made to maximize the potential of this market. The Refrigerator and Washing Machine Production Facility was established as part of these efforts, which are continuing at full speed.

PRODUCTION CAPACITIES

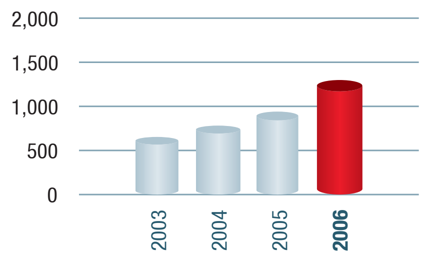
REFRIGERATORS
(Thousand units)



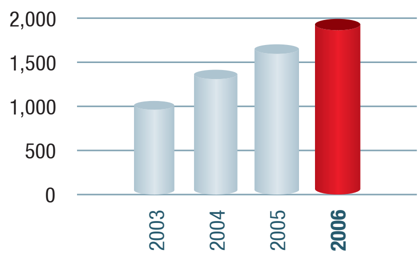
WASHING MACHINES
(Thousand units)



DISHWASHERS
(Thousand units)



OVENS
(Thousand units)




Cooking Appliances Plant-Bolu


Dishwasher Plant-Ankara

Beko LLC Refrigerator and Washing Machine Plant-Russia


Beko LLC Refrigerator and Washing Machine Plant-Russia

“OUR CORPORATE VALUES, ETHICAL PRINCIPLES AND CODE OF BUSINESS CONDUCT ARE THE GUIDEPOSTS THAT HELP US MEET OUR RESPONSIBILITIES”

CORPORATE SOCIAL RESPONSIBILITY CONCEPT

Arçelik is aware that companies, as well as government agencies and NGOs, play a strategic role in the careful and sustainable use and development of the scarce global resources.

Within the framework of its corporate social responsibility philosophy, Arçelik embraces its responsibility for sustainable development, works on environmental and social issues, and fully complies with all applicable legislation, ethical principles and human rights precepts.

Guided by its corporate values and the motto of Founder Vehbi Koç, “Our most important asset is our people”, the Company meets its responsibilities in close cooperation with its workforce and business partners.

CORPORATE GOVERNANCE CONCEPT

In meeting its responsibilities Arçelik is guided by its corporate values and corporate culture, ethical principles, good governance philosophy and code of business conduct.

In accordance with international business standards, the Company has adopted four principles of corporate governance, each of which creates trust between stakeholders and organizations: accountability, responsibility, transparency, and fair treatment. In the long run, these precepts are indispensable for the success and productivity of the Company.

The Company abides by the theorem that proper corporate governance is a must for maintaining the reliability and stability promised to stakeholders, especially to its investors. The Company's meetings with its corporate investors clearly demonstrate its successful performance in implementing corporate governance principles.

The Company not only capitalizes on business results and its sound financial structure to achieve its profitability targets, but also manages its “corporate reputation”, an important asset created over many years.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

The reliability and creditworthiness of companies, and especially of publicly-traded companies, depends solely on the proper implementation of the “Corporate Governance Principles” which were adopted by the Capital Markets Board (CMB) on July 4, 2003 with decision No. 35/835 and announced to the public immediately thereafter. Arçelik has adopted these principles as a benchmark against which it measures its corporate governance quality. According to the CMB's decision No. 48/1588, adopted on December 10, 2004, companies listed on the Istanbul Stock Exchange (ISE) must disclose their compliance with corporate governance principles in their annual reports and on their websites, if any, starting from the year 2004. In accordance with this decision, Arçelik set up a task force to review its compliance with Corporate Governance Principles, and as a consequence of its studies new information is being disclosed in the 2006 Annual Report and on the Company's website. The task force is still reviewing issues which are not fully compliant. When the “OECD Corporate Governance Principles” published in 1999 were revised in 2004, the CMB updated its principles the same year to ensure consistency. Arçelik has developed its 2006 Corporate Governance Principles Compliance Report in line with the revised Corporate Governance Principles.

SECTION I: SHAREHOLDERS

2. Investor Relations Department

The Company manages its relations with shareholders through its Investor Relations and Subsidiaries Department, which reports to the Assistant General Manager in charge of Finance and Accounting. The main goal of the Company is to ensure that shareholders exercise their right to access information in a fair and reliable manner. Also, the Company ensures that shareholders exercise their rights in full and in the swiftest time possible. The main responsibilities of this department are as follows:

- ensuring shareholder data is kept and updated in a safe and reliable manner
- responding to shareholders' inquiries for written information concerning the Company, with the expressed exception of confidential information and trade secrets which are not disclosed to the public
- ensuring that the General Meeting is conducted in accordance with all applicable legislation, the Company's Articles of Association and other internal regulations
- drafting all necessary documents for the General Meeting
- recording voting results and sending the results to shareholders upon request
- observing and monitoring all kinds of issues regarding public disclosures, including applicable legislation and the Company's disclosure policy
- attending meetings held at the Company Headquarters as well as other national and international meetings arranged by various organizations to inform investors
- liaising with analysts assessing the Company
- responding to inquiries from undergraduate and graduate students and academics studying the Company and the industry
- drafting Turkish and English versions of the Investors Relations page on the Company's website (www.arcelikas.com), updating the page whenever necessary and ensuring simple on-line access to Company information for shareholders
- filing material disclosures with the ISE and the CMB pursuant to the CMB's Communiqué Serial VIII, No. 39
- following up amendments to the Capital Markets Law and other applicable legislation and reporting these to the relevant departments in the Company
- representing the Company at the CMB, the ISE and the Central Registry Agency

Staff members in charge of investor relations:

Dr. Fatih Kemal Ebiçlioğlu	Assistant General Manager - Finance and Accounting +212 314 34 01 fatih.ebiclioglu@arcelik.com
Türkay Tatar	Finance Director +212 314 31 84 turkay.tatar@arcelik.com
Çiğdem Ergüven	Investor Relations and Subsidiaries Manager +212 314 31 13 cigdem.erguven@arcelik.com
Turhan Sarı	Investor Relations Specialist +212 314 31 15 turhan.sari@arcelik.com
Baran Bülbül	Investor Relations Specialist +212 314 31 17 baran.bulbul@arcelik.com

Fax: +212 314 34 90

In 2006, in order to provide detailed information on the Company to existing and prospective shareholders, the following actions were taken:

- seven investor meetings were organized in Turkey and abroad
- more than 400 investors were interviewed in these meetings held at the Company Headquarters, and all their questions about the Company were answered
- two meetings with analysts were held to announce 2005 year-end and 2006 first 6-month results; and the results of the first quarter of 2006 were announced to the analysts through teleconferencing
- five press conferences were held in Turkey and abroad, and the public and investors were informed on recent developments

3. The Use of Shareholders Rights to Obtain Information

The Company treats its shareholders equally regarding their rights to access and review information.

To ensure that shareholders are informed in a more reliable manner, the Company offers them electronic versions of its financial statements as well as other up-to-date information and documents in both Turkish and in English.

In 2006, requests for information by shareholders were handled either orally or in writing in compliance with the capital markets legislation and without discrimination against any shareholder or shareholder group. In 2006, necessary formalities were completed for 112 shareholders who were able neither to receive their dividends nor participate in capital increases in previous years.

The Company concluded work to send required electronic data to the CMB and the ISE with electronic signatures, all within the framework of the Public Announcement Project (PAP) conducted by Tübitak-Uzay UEKEA under the supervision and control of the Capital Markets Board. When launched, PAP will enable the Company to inform its shareholders in a quicker and more reliable manner. Also, financial statements and material disclosures filed with the CMB and the ISE are announced to shareholders on the Company's website, both in Turkish and in English.

Since the Company has become a member of the Central Registry Agency established for dematerialization of securities, Company shares traded on the ISE have been dematerialized, eliminating the need to print share certificates. The Company entered into an agreement with Yapı Kredi Menkul Değerler A.Ş. (former Koç Yatırım Menkul Değerler A.Ş.) for completion of shareholder formalities with the Central Registry Agency. This agreement enabled shareholders to collect their dividends, participate in capital increases and open accounts at any Yapı Kredi (former Koçbank) branch. Company operations are regularly audited by an independent auditor (PricewaterhouseCoopers) as well as by internal auditors elected at the General Meeting. The Company's Articles of Association do not contain any provisions concerning the appointment of a special auditor. During the reporting period, no request was made to the Company for the appointment of a special auditor.

4. Information on Shareholders' Meeting

In 2006, the Company held an Ordinary General Meeting. The Company's 2005 operations were discussed at the General Meeting held on April 5, 2006. Of the 39,996,000,000 outstanding shares, 34,105,280,671 (or 85.27%) were represented at the General Meeting. The meeting was attended by shareholders (in person or by proxy), stakeholders and media members. Also among participants were representatives of various brokerage houses and banks. Shareholders' questions were answered and at the end of the meeting shareholders requested to visit one of the production plants of the Company. Consequently, 51 shareholders visited the Çayırova Washing Machine Plant on May 25, 2006.

- The General Meeting is announced at least three weeks in advance, in accordance with applicable legislation. In an effort to reach the highest number of shareholders possible, the announcement is also published on the Company's website.
- All announcements comply with the Corporate Governance Principles.
- After the invitation to the General Meeting is announced, financial statements and reports, including the Annual Report, the proposal for dividend distribution, an informative document on the Agenda of the General Meeting, supplementary documents, the latest version of the Articles of Association and the text and justification of amendments to the Articles of Association, if any, are made available to shareholders at the Company's Headquarters and branches, as well as on the website.
- The Company drafts the Agenda of its General Meeting in a clear manner in order to avoid any misunderstanding.
- The announcement of the General Meeting includes forms of proxy statements to be used by shareholders who want to be represented by proxy at the General Meeting. These forms are also posted on the Company's website.
- Voting procedures are announced to shareholders electronically before the General Meeting.
- In 2006, the Company received no requests from shareholders pertaining to the addition of an item to the Agenda.

In 2006, in order to become more competitive and better develop its consumer electronics business, Arçelik increased its share in its subsidiary Beko Elektronik from 22.36% to 72.46%. The main rationale behind this transaction included reinforcing the existing coordination between the two companies, improving the effectiveness of the decision-making process and establishing better communication between production units and the market. This decision will both improve management efficiency and increase productivity and cost-savings through a restructuring of the domestic and international businesses.

The Company does not plan any significant change in its management and operational organization in the near future. Any such change will be disclosed to the public in accordance with applicable legislation.

The Company holds its General Meetings at a minimum cost to its shareholders. In this manner, the Company is also committed to implement the simplest procedures so as not to create any inequality among shareholders. To facilitate the participation of shareholders living in Turkey and abroad in the General Meeting, the one-week timeframe stated in the announcements is sometimes shortened. Also, all necessary documents are translated into English to inform foreign shareholders on the General Meeting and its Agenda. These documents are sent via the banks that conduct the custody and settlement transactions of such shareholders.

The Company takes care to hold its General Meeting in the Istanbul city center in order to maximize and facilitate participation of shareholders. The Company monitors any fluctuations in the number of participants over the years and chooses the venue according to the estimated number of participants. The 2006 General Meeting was held at Divan Hotel, located at No. 2 Cumhuriyet

Cad., Elmadağ, Taksim, Istanbul, a popular meeting venue that allowed for the convenient participation of all shareholders. The invitation to the General Meeting is announced by the Board of Directors in accordance with the provisions of the Turkish Commercial Code, the Capital Markets Law and the Company's Articles of Association. The decision by the Board of Directors to convene the General Meeting is announced to the public via disclosures filed with the ISE and the CMB.

CMB and the ISE regulations require disclosure of financial statements within 14 weeks after the end of the financial period. However, Arçelik discloses its financial statements well before this deadline. The 2006 year-end financial statements were disclosed at the end of the 10th week. Following the disclosure of operational results, the Company starts its preparations for the General Meeting, and upon completion of the necessary legal procedure, the meeting is convened. However, due to the timeframe specified for the completion of this process, the General Meeting cannot convene within the three months following the end of the financial period. The Company will discuss its 2006 operations at the General Meeting to be held on April 3, 2007.

At the General 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 queries and share their views. Shareholders are also given the opportunity to make comments and recommendations regarding the remuneration of the Company's directors and officers.

Any shareholder who holds an access card to the General Meeting is entitled to make comments on the Company's operations, request information from Company management, and receive answers to his/her questions. Shareholders' votes on agenda items are entered into the Minutes of the Meeting. Each agenda item is voted individually. The General Meeting is held under the supervision of a representative of the Ministry of Industry and Trade.

The General Meeting has authorized the Board of Directors to purchase, sell and lease material assets, as well as to make donations and grants. The Company's Articles of Association include relevant provisions permitting such authorization.

The Minutes of the General Meeting are posted on the Company's website and are also made available to shareholders at the Company Headquarters. Shareholders are provided with a copy of the Minutes upon request.

5. Voting Rights and Minority Rights

The Company announces voting procedures to shareholders at the beginning of all General Meetings. It avoids implementing procedures that would make voting difficult and provides each shareholder, even those living abroad, the opportunity to exercise his/her voting right in the simplest and most convenient way.

The Company's Articles of Association do not provide for any voting privileges. Each share has a single vote. Shareholders do not include any legal entity that is a subsidiary of Arçelik. The Articles of Association do not contain any provisions preventing a non-shareholder from voting by proxy.

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

6. Dividend Policy and Deadline for Dividend Distribution

Pursuant to the Corporate Governance Principles, the Company adopts a dividend policy, which seeks a balance between the interests of the shareholders and the interests of the Company.

The Company 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 Meeting by the Board of Directors should not be less than 50% of the annual distributable profit of the Company.” The Company's dividend policy is announced in the Annual Report and on the website.

The Company distributes its profit in accordance with the Turkish Commercial Code and the Capital Market Law and within statutory time limits. At the General Meeting held on April 5, 2006, it was decided to distribute a 50% gross (45.053% net) dividend in accordance with the operating results of 2005. Dividends were distributed after May 15, 2006.

The Articles of the Association do not grant any privileges in relation to the distribution of dividends.

According to the Company's Articles of Association, the Board of Directors may distribute dividends in advance, provided that such action has been authorized by the General Meeting and fulfills the requirements of the Capital Market Law and the CMB's applicable regulations. The authority to distribute dividends in advance, granted to the Board of Directors by the General Meeting, is limited to the year when such authorization was issued.

7. Transfer of Shares

The Company's Articles of Association do not include any provisions whereby the transfer of shares by shareholders is complicated or restricted.

SECTION II: PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company Information Disclosure Policy

The Company issues material disclosures to disclose information that is required or desired to be shared with the public. The Annual Report specifies the individuals who are responsible for making such disclosures.

Any development which may influence the Company's securities is disclosed to the public without delay and within the statutory time limits. Any consequent changes and developments regarding such disclosures are also announced immediately.

Public disclosures are made using the channels required by applicable legislation. In addition to these channels, the Company also effectively utilizes data distribution companies, the media and its website for such disclosures.

The directors and officers of the Company, the managers of subsidiaries abroad and appointments and resignations disclosed in 2006 in material disclosures were as follows:

Board of Directors 2006

Rahmi M. Koç	Chairman
Dr. Bülent Bulgurlu*	Vice Chairman
Robert Sonman	Member
Mustafa V. Koç	Member
Semahat S. Arsel	Member
F. Bülend Özaydınlı	Member
Temel K. Atay*	Member
M. Ömer Koç	Member
A. Gündüz Özdemir	Member

Board of Auditors

Serkan Özyurt

Mert Ş. Bayram

*Dr. Bülent Bulgurlu and Temel K. Atay are also members of the Audit Committee. Board members are elected every year at the Ordinary General Meeting as described in the Articles of Association. All members started their term on April 5, 2006.

Management 2006 (December 31, 2006)

Aka Gündüz Özdemir	General Manager
Atilla İlbaş	Assistant General Manager - Production and Technology
Dr. Fatih Kemal Ebiçlioğlu	Assistant General Manager - Finance and Accounting
Mustafa Nadir Yalçınalp	Assistant General Manager - International Marketing and Sales
Şirzat Subaşı	Assistant General Manager - Turkey Marketing and Sales
Ahmet İhsan Ceylan	Information Technologies Department
Ahmet Sakızlı	Product Planning and Coordination Director
Ali Tayyar	Accounting Director - Headquarters/Plants
Cemal Can Dinçer	International Sales Director - Non-European Markets
Dr. Cemil İnan*	Research and Development Director
Dilek Temel	Corporate Relations Coordinator
Ercüment Gülşen*	Beko Sales Director
Ferhat Erçetin	Purchasing Director
Hilmi Cem Akant	International Sales Director - Europe and Business Development
İhsan Somay	Accounting Director - Sales/Marketing
İsmail Hakkı Sağır	Product Director - Refrigerator
Koral Boro*	Arçelik Sales Director
Mehmet Savaş	Product Director - Cooking Appliances
Melis Mutuş	Corporate Communications Coordinator
Murad Şahin	Marketing Director
Mustafa Türkay Tatar	Finance Director

Reyhan Tamsöz*	Supply Chain Change Coordinator
Salih Arslantaş	Product Director - Dishwasher
Serdar Sözeri	Consumer Services and Logistics Director
Sibel Kesler	Budget, Reporting and Analysis Director
Şemsettin Eksert*	Product Director - Washing Machine
Şerife Füsun Ömür	Human Resources and Strategic Planning Director

Management of Subsidiaries Abroad (December 31, 2006)

Brigitte Petit	Country Manager-France/Beko France S.A. General Manager
Clayton Witter	Country Manager-UK/Beko P.L.C. General Manager
Georg E. Lackner*	Country Manager-Germany/Beko Deutschland GmbH General Manager
İsmail Kürşat Coşkun	Country Manager-Italy/Arcelitalia S.R.L. General Manager
Kamil Uğur Kayalı	Country Manager-Romania/Arctic S.A. General Manager
Namık Koçer	Country Manager-Spain/Beko Electronics Espana S.L. General Manager
Orhan Sayman	Country Manager-Poland, Hungary, Czech Republic, Slovakia/Beko S.A., Beko Cesko S.R.O., Beko Magyarorszag K.F.T., Beko Slovakia S.R.O. General Manager
Osman Diyarbekirli	Country Manager-Austria/Elektra Bregenz A.G. General Manager
Rauf Candan Oğuzkan Şatıroğlu*	Country Manager-China/Beko Shanghai Trading Co. General Manager
Tevfik Adnan Tüfekçi	Country Manager-Russia/Beko L.L.C. General Manager

***Appointments in 2006**

Arçelik Sales Director - Koral Boro (February 1, 2006)

Beko Sales Director - Ercüment Gülşen (February 1, 2006)

Country Manager-Germany/Beko Deutschland GmbH General Manager - Georg E. Lackner (March 15, 2006)

Country Manager-China/Beko Shanghai General Manager - Rauf Candan Oğuzkan Şatıroğlu (April 1, 2006)

Supply Chain Change Coordinator - Reyhan Tamsöz (October 1, 2006)

R&D Director - Dr. Cemil İnan (November 1, 2006)

Product Director- Washing Machines - Şemsettin Eksert (November 1, 2006)

Resignations in 2006

Arçelik Sales Director - Oktay Sokullu (retired on January 20, 2006)

Product Director, Washing Machines - Cemal Şeref Oğuzhan Öztürk (appointed General Manager of Beko Elektronik A.Ş. on October 20, 2006)

The Company posts Turkish and English versions of all material disclosures concurrently on its website.

Any questions asked of the Company by third parties are handled either by the Company's senior management or by officers of the Investor Relations and Subsidiaries Department under the supervision of senior management, depending on the nature of the question. Upon the disclosure of its financial statements, the Company also posts presentations on its website prepared to facilitate evaluations by analysts of results.

Dealings with securities issued by the Members of the Board of Directors, officers and shareholders who directly or indirectly hold at least a 5% interest in the Company in the preceding year are announced to the public in compliance with capital markets legislation and posted on the Company's website.

The Company prepares consolidated financial statements and accompanying notes in accordance with the CMB's Communiqué Series XI, No. 25 and the IFRS. These financial statements and notes are disclosed to the public after being audited by an independent auditor.

Annual Reports are prepared in compliance with securities legislation, the CMB regulations and Chapter 2, Article 3.2.2 of the CMB's Corporate Governance Principles.

9. Disclosure of Material Events

During the reporting period, the Company made 22 material disclosures. The ISE and/or the CMB did not request additional explanations with respect to the public disclosures made in 2006. Since the Company does not have any securities listed on foreign stock exchanges, it is not required to make any material disclosures other than those made to the ISE and the CMB. The Company made all its material disclosures in due time, and therefore the CMB did not impose any sanctions.

SECTION III: STAKEHOLDERS

10. The Company's Website and Its Contents

As required by CMB principles, the Company uses its website (www.arcelikas.com) to ensure effective and rapid interaction with investors and continuous communication with shareholders. All information listed in Chapter 2, Article 1.11.5 of the CMB Corporate Governance Principles is available on the website. The Company prepares its website in both Turkish and English and in the form and content specified by CMB principles. The Investor Relations and Subsidiaries Department is responsible for developing the content of the website, updating information and making other additions. The Company is continuously working to offer better service through its website.

11. Disclosure of the Company's Ultimate Controlling Individual Shareholder / Shareholders

There are no special circumstances which might influence investors in the event the names of the individuals who are the ultimate controlling shareholders of the Company are disclosed. Since the public already knows that members of the Koç family are ultimate controlling shareholders, no separate calculation or disclosure has been made.

12. Disclosure on Insiders

In order to maintain the balance between transparency and the Company's interests, the Company ensures that all employees observe the rules regarding the use of insider information. The Company takes all necessary measures to prevent the use of insider information. The “Code of Business Conduct” distributed to the entire Company describes how all Arçelik employees are expected to behave in business life.

“Proprietary information” is defined as any information which is accessed by employees while working for the Company, and as any information which should not be known by anyone other than on a “need-to-know” basis, as well as that which can be considered a trade secret. All employees must protect proprietary information during and after their employment, and must refrain from using such information directly or indirectly. No Arçelik employee may profit by buying or selling shares of Arçelik or another member of the Koç Group using insider information.

In the event officers of the Company, who have access to information which might influence the value of securities, deal in the Company's outstanding securities, such transactions are disclosed to public. These disclosures are also posted on the Company's website.

The Annual Report contains a list of officers who have access to information which might influence the value of the Company's securities.

13. Informing Stakeholders

The stakeholders of Arçelik include third parties who have a direct relationship with the Company. Stakeholders are invited to meetings whenever it is necessary or are informed using telecommunication channels. The Company believes that cooperation with stakeholders is in its best interests in the long run and respects and protects the rights of stakeholders as specified in applicable legislation, agreements and by mutual understanding. The Company ensures that its stakeholders, including its employees and representatives, report their concerns to the management concerning any illegal or unethical transactions. The Company's most important stakeholder group is comprised of its more than 4,500 dealers. The Company holds regular “Dealer Meetings” to inform its dealers of its policies, targets and economic developments, as well as to get their feedback and hear their concerns. The Company has around 5,000 suppliers and organizes “Supplier Days” to communicate its targets and strategies.

Relationships with employees working under Collective Agreements are conducted with union representatives. As an employer, Arçelik is a member of MESS (Turkish Metal Industrialists' Union), while its blue-collar workers are registered with the Turkish Metal Union. In October of 2006, MESS and the Turkish Metal Union signed a collective agreement for the period covering September 1, 2006 to August 31, 2008.

14. Participation of the Stakeholders in the Management

Mechanisms and models supporting participation of stakeholders, and especially of employees, in the Company's management have been developed without impeding the operations of the Company.

Stakeholders are encouraged to participate in management through various channels such as proposals or surveys, which do not delay Company operations.

Arçelik consults with and obtains the consent of the Labor Union with regard to changes in working conditions, the working environment and the rights of workers.

Dealers are encouraged to participate in the Company's management through the “Dealer Meetings”.

15. Human Resources Policy

While confidently taking steps to achieve its vision, Arçelik is committed to continuing its successful performance through relying on its core value: “Our most important capital is our people”. In this regard, the Company is guided by its shared values and code of business ethic, as well as its firm conviction that human resources policies that are compatible with strategies guarantee a promising future. Arçelik defined its human resources (HR) policies in 2006 and communicated these to its employees in Turkey and abroad, along with its shared values and business ethic codes published in several languages. The basic principles of these policies are as follows:

- The Company's human resources systems and practices maintain the balance between the global and the local. As a company operating on a global basis, local legislations, practices and needs are respected. Should any HR policy and practices conflict with local legislation, local legislation will prevail.
- All HR policies are aligned with Arçelik's business strategies.
- All HR processes and applications should support and respect the protection of internationally proclaimed human rights. This principle brings non-discrimination and equal employment opportunity philosophy in the organization. Arçelik does not discriminate on the basis of ethnic origin, race, nationality, disability, political view, religious beliefs, age, gender or sexual orientation.
- Fairness, consistency and reliability are the basis of all HR applications.
- Aiming continuous improvement of HR standards, the Company systematically and periodically review them and revise HR processes regarding latest improvement and feedback provided.
- The Company attitude is to protect personal information and to ensure the confidentiality of this information.

Guided by the above principles, the Company aims towards the following in its human resources practices:

- Industrial relations with employees covered by a collective agreement are managed through workplace representatives. The objective is to ensure cooperation between the employer and employees, as well as to maintain a harmonious and peaceful working environment and help solve problems according to applicable legislation and the collective agreement.
- Arçelik is committed to meet all relevant national standards for health and safety in order to generate a hygienic, ergonomic, and safe environment.
- Existing and future personnel requirements of Arçelik are met through a sound recruitment and selection process. The aim is to establish a mutually beneficial employment opportunity between employee and the Company. In the recruitment process Arçelik provides equal opportunities for all candidates who have the appropriate training, knowledge, skills, competencies and experience required by the job.
- Training and development approach aims to reinforce the improvement of the Company and the individual performance through continuous development. All training and development activities should be coherent with Company strategies and objectives and also should cover work requirements, current and future individual needs.
- Arçelik believes that personal success is a must for organizational success. Keeping this in mind, Arçelik uses various development management systems to continuously develop employees' performance.
- Remuneration management approach is defined within the framework of a fair and competitive employment policy.
- For the purpose of encouraging the desired conduct and behavior that will facilitate the fulfillment of Company goals, augment the sense of loyalty, motivation and efficiency or lead to adoption of better practices and applications, Arçelik assesses and recognizes any achievements, inventions and/or suggestions that will yield benefits and saving a quantitative nature.

16. Information on Relations with the Clients and Suppliers

Customer and supplier satisfaction is a high priority and an indispensable target at Arçelik. Customer satisfaction is carefully monitored and reported regularly. The Company attaches great importance to maintaining the confidentiality of information related to its customers and suppliers, which are classified as trade secrets. In today's highly competitive environment, Arçelik believes that its customers are its business partners. Therefore, the ever-expanding hi-tech Arçelik Call Center directly handles all kinds of inquiries, problems and proposals of customers, seven days a week until 24:00 every day and when necessary, informs the relevant departments. Capitalizing on the advantage of its high technology, the Arçelik Call Center offers numerous communication channels for its customers. In addition to phone and e-mail, it is also possible to access the Center via fax and regular mail. The Center responds to the majority of requests immediately. By handling customer requests promptly and conducting customer satisfaction surveys to collect feedback from the field, the Arçelik Call Center is enabling the Company to seize developmental opportunities. In so doing, it is continuously raising the bar in terms of service quality.

17. Social Responsibility

The Company considers corporate social responsibility as an indispensable part of its core business. Within the framework of its corporate social responsibility philosophy, Arçelik assumes responsibility for protecting the environment and reducing the consumption of natural resources in its production and product development processes. Moreover, consistent with the “sustainable development principle”, the Company pays careful attention to meeting social needs and fully complies with all applicable laws and ethical principles and observes human rights in all its operations.

The Company discloses its corporate social responsibility policies and efforts in the relevant section of its Annual Report and also on its website.

SECTION IV: BOARD OF DIRECTORS

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

The Board of Directors of Arçelik is composed of nine members. The Company's Articles of Association allows for the General Manager to serve on the Board of Directors. Mr. A. Gündüz Özdemir acts as an Executive Board Member. Following the election of the Board of Directors by the General Meeting the Chairman and Vice Chairman of the Board are elected. In the event of any vacancy on the Board, Article 315 of the Turkish Commercial Code applies.

Pursuant to Articles 334 and 335 of the Turkish Commercial Code, the Chairman and members of the Board seek the consent of the General Meeting in order to directly or indirectly engage or own shares in any business which is similar to the business of the Company.

The Company's Board of Directors does not have an independent member. All Directors have worked in various sectors for many years and are experienced in the business of the Company. The Company benefits much from the knowledge and experience of its Directors. The Directors are able to voice their opinions openly, free from any influence. The Company has affiliates and subsidiaries operating in various industries. Believing that Directors' participation in the management of related companies would serve the interests of the Company, Directors are not subject to any rules or restrictions regarding the assuming of other tasks outside the Company.

19. Qualifications of Board Members

The structure of the Company's Board of Directors ensures maximum efficiency and effectiveness. Directors are qualified pursuant to Chapter 4, Articles 3.1.1, 3.1.2 and 3.1.3 of the CMB Corporate Governance Principles. However, the Company's Articles of Association do not include any provisions in this regard.

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

The Company's vision is “to possess one of the ten most preferred global brands in our sector by the year 2010”. Its strategic goal is “to obtain a 2% market share in the global domestic appliances market with the Beko brand”.

The vision, mission, core values and strategies of the Company are disclosed in the Annual Report and on the corporate website, and are announced through other communication channels such as information meetings, statements, etc.

The strategies and goals determined in line with the Company's vision and mission are evaluated by the Board of Directors.

Pursuant to the Company's Articles of Association, the Board of Directors meets regularly. In these meetings, the goals and activities of the Company are discussed, taking into account the performance in previous periods. The existing status of the Company is reviewed and new goals and strategies are developed when necessary.

21. Internal Control and Risk Management Mechanism

Financial risks of the Company are managed by the Treasury and Risk Management Department reporting to the Assistant General Manager responsible for Finance and Accounting. Also, in order to create a reliable internal control mechanism, an Internal Audit Department has also been established reporting to the Assistant General Manager responsible for Finance and Accounting. Related departments are responsible for determining and reporting financial and operational risks. The Audit Committee continuously monitors the functioning and effectiveness of the system and, when necessary, informs the Board of Directors of any problems and proposed solutions with respect to the internal control mechanism.

22. Authority and Responsibilities of the Members of the Board Directors and Executives

The powers and duties of the Company's Board of Directors are defined clearly in the Articles of Association. Powers are listed in detail for the list of authorized signatures. These documents are filed with competent authorities and also posted on the Company's website.

23. Principles of Activity of the Board of Directors

Pursuant to the Articles of Association, the Board of Directors meets as required by the business of the Company. The Board must meet at least four times a year. The Board convenes upon the request of the Chairman, or two Members. Reasons for any dissenting opinion or vote are recorded in the Minutes of Board meetings. Detailed reasons for dissenting votes are disclosed to the public. However, no such disclosure was made in 2006, since no dissenting opinion was voiced at Board meetings.

The Agenda of a Board Meeting includes issues that are reported by the relevant departments to the Company officers and directors and require a Board decision according to the Articles of Association. A meeting agenda is also prepared when any Director informs the senior management of the Company of a material issue which requires a Board decision.

Issues requested to be discussed at the Board Meeting are compiled and consolidated by the Assistant General Manager in charge of Finance and Accounting.

Arçelik has assigned the Assistant General Manager in charge of Finance and Accounting to determine the Agenda of the Company's Board Meetings, to prepare Board decisions made pursuant to Article 330/II of the Turkish Commercial Code, to inform the Directors and provide communication. Board Meetings are held at the Company Headquarters or at a convenient place in the city where the Headquarters are located.

24. Prohibition of Carrying Out Transactions with the Company and Prohibition of Competing with the Company

Although there is no rule restricting any Director from dealing or competing with the Company, no Director is doing so at the present time.

25. Ethical Rules

Arçelik aims to be a symbol of reliability and esteem towards its partners, dealers, side-industry collaborators and customers and always respects the laws. Arçelik Group as a whole, with its employees, shareholders, dealers and other business partners is fully aware of its responsibilities to society, the environment, customers and business partners, and these responsibilities constitute the fundamental principles of its business ethics.

Arçelik business ethics are a part of daily work life. Therefore, the Company has documented and communicated its business ethic codes in order to ensure that Arçelik employees, at all levels, understand, accept and comply with the business ethics during the performance of their duties. Arçelik's Code of Business Conduct primarily includes the following principles:

- To avoid conflict of interest at Arçelik, the Code of Conduct describes expected behaviors of employees in relation to their commercial investments, business activities, gifts and invitations, business activities of relatives, employment by suppliers, etc.
- While collecting information about competitors in order to achieve the goals and strategies of the Company, employees must be aware of Arçelik's values and business ethics.
- Protecting commercial secrets is extremely important to protect the Company's future success and, therefore, the job security of its employees.
- Arçelik respects intellectual property rights and its employees comply with all legal requirements when using any article, invention, work, etc. owned by someone else. No books or other intellectual works owned by someone else are used by Arçelik without payment of appropriate royalties.
- The Company is committed to comply with all laws and regulations pertaining to its products and operations.
- Internal audits are conducted to ensure that operations are managed adequately by comparing them with policies and procedures.
- Arçelik business principles require respecting for others, not using alcohol and unprescribed drugs in the workplace and during working hours, ensuring workplace security, supporting a peaceful working environment and treating everyone equally without discrimination.

If an employee is uncertain of any aspect of the Arçelik business ethics, the tools and chain of authority to be consulted is defined. If commitment to Arçelik business ethics is violated, the Company disciplinary procedure will be used, if appropriate, after a thorough investigation has taken place.

26. Number, Structure and Independency of Committees Established by the Board Of Directors

The Company has set up an Audit Committee to ensure that the Board of Directors fulfills its duties and responsibilities in a reliable manner. The Audit Committee is composed of two members. In 2006, the Board elected Dr. Bülent Bulgurlu and Mr. Temel Kamil Atay to serve on the Audit Committee. The Audit Committee operates regularly in compliance with Capital Markets Legislation and the CMB's Corporate Governance Principles. The members of these committees are not independent members. The Company plans to set up a "Corporate Governance Committee" in the future and is committed to acting in line with applicable legislation and regulations to be issued by the CMB.

27. Remuneration of the Board of Directors

Pursuant to the Articles of Association, the rights to be granted to Directors are determined at the General Meeting. At the General Meeting of April 5, 2006, the shareholders decided to pay a salary to the Directors. According to this decision, the Chairman and Members of the Board will be paid a monthly gross salary of TRY 1,150. Executive members also receive remuneration based on their performance. Directors 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 favor of Directors and Officers.

“PRODUCTION THAT RESPECTS PEOPLE AND THE ENVIRONMENT”

SUSTAINABLE DEVELOPMENT

Environmental Policy

Today, humanity is faced with the threat of rapidly changing environmental conditions and diminishing natural resources. Arçelik and its employees believe that it is their duty to protect the environment for the future generations and have adopted a “Sustainable Development” approach. They are committed to protecting the environment and making natural resources sustainable in line with a management approach based on the concept of total quality.

Accordingly, all Arçelik plants:

- use energy and natural resources efficiently
- develop systems that prevent pollution at the source
- comply with all applicable national and international environmental laws and regulations
- train all employees and subcontractors to enhance their environmental awareness
- prefer materials and technologies which minimize the adverse environmental impacts of production, beginning with the design stage
- perform environmental impact analyses for new investments

Arçelik performs all these activities within the scope of an environmental management system based on continuous improvement and manufactures environment-friendly products. For this reason, the Company documents and certificates its environmental management system according to ISO 14001 requirements. Arçelik strives to build a better environment and raise the environmental awareness of society.

Arçelik's quality management system and policies are the keys to the Company's environment-friendly approach, technological superiority and high-quality products.

Production in Compliance with International Standards and Directives

Arçelik believes that economic development is only possible through the sustainable use of natural resources. Therefore, the Company is committed to protecting the environment and ecological balance at every stage of its production activities, as well as to ensuring the sustainability of natural resources.

At its environment-friendly production plants, all international product and management standards are implemented, particularly ISO 9001:2000 and ISO 14001:2004. Internal audits are carried out regularly to assure that management systems are implemented effectively and continuously.

Moreover, Arçelik continually strives to comply with EU directives as well as national regulations to ensure that its products comply with all applicable regulations during their entire lifecycle from design to recycling.

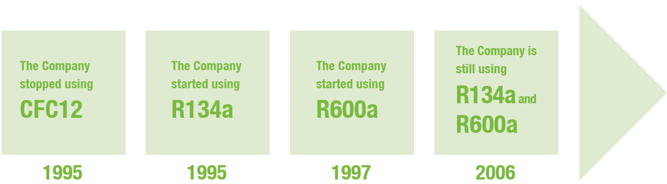
The Company closely monitors developments in the industry and, as a member of the European Committee of Domestic Equipment Manufacturers (CECED) and other EU workgroups, endeavors to meet the requirements based on the following directives:

- WEEE - Waste of Electrical and Electronic Equipment
- RoHS - Restriction of the Use of Certain Hazardous Substances
- EuP - Eco-Design Requirements for Energy-Using Products

In line with EC directives on electrical and electronic household appliances, Arçelik began using energy labels indicating the low energy consumption of its products long before these labels

became mandatory in Turkey. Arçelik was also the first household appliances producer to produce refrigerators without ozone-depleting CFC gases way before 2006, which was the deadline set for Turkey in the Montreal Protocol.

Moreover, Arçelik is continuing preparations regarding the EU's new chemicals strategy, REACH (Registration, Evaluation and Authorization of Chemicals).



Energy-Efficient Technology

At Arçelik, controlling environmental impact throughout the lifecycle of the product starts at the design stage. Therefore, the R&D Department that develops technologies, the Product Development Department that expands and improves products and the Industrial Design Department assigned with the task of designing products work cooperatively. The result of this successful cooperation is the A+ product line that adopts an environment-friendly product identity.

According to EU standards, Arçelik Class A products offer an almost 20% energy savings over Class B products. If all durable consumer goods used in Turkey were Class A products, the national energy savings would have been as high as 3%. This would have meant a 5.2 billion kWh/year in permanent and sustainable energy savings.

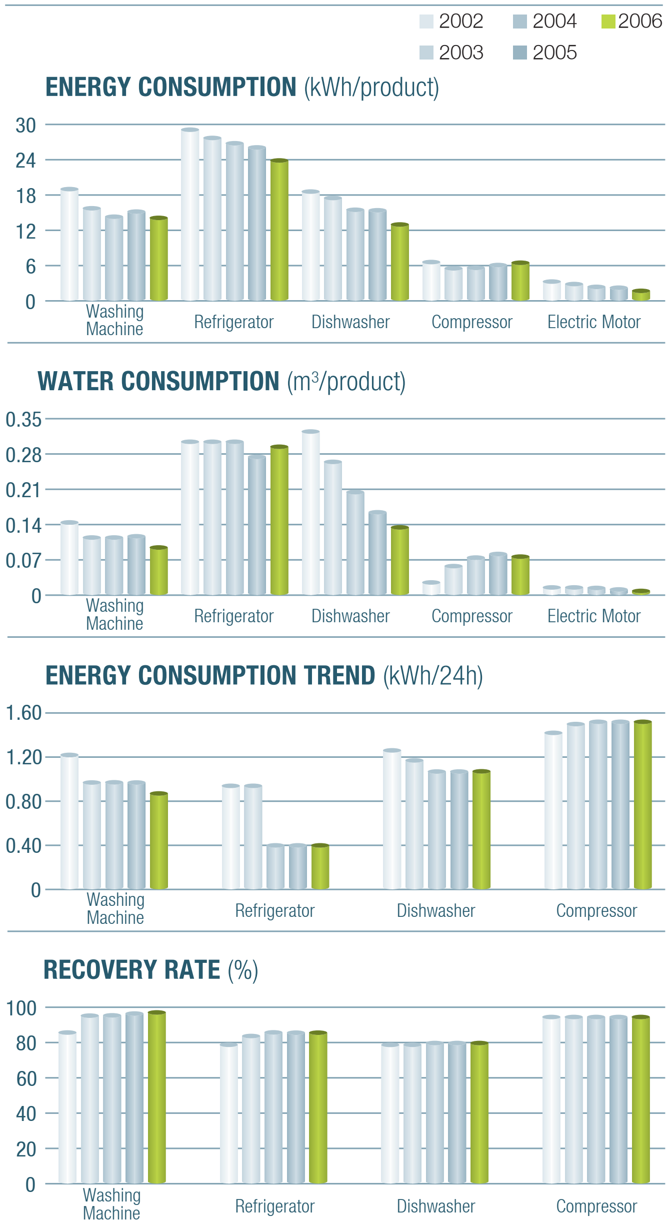
Technology with Fewer Resources

The recovery rate for large electric and electronic domestic appliances is 80% pursuant to the relevant EU directive. Thanks to improvement in raw materials, Arçelik achieved a 90% recovery rate in all its products in 2006.

Environmental Training

Every year, Arçelik provides regular training to raise its employees' environmental awareness. In 2006, a total of 4,681 hours of training was provided.

Environmental Impacts



TOTAL QUALITY CONCEPT

In line of its vision for the future, Arçelik develops and manufactures affordable, easy-to-use, reliable, environment-friendly consumer products and delivers after sales services by implementing state-of-the art technologies to satisfy its customer needs beyond their expectations. The Company documents, certificates and continuously improves its quality management system to comply with the ISO 9001 standard.

The long-term loyalty of employees, customers, suppliers and business partners is ensured by encouraging innovative and creative approaches and improving technical and behavioral competencies through trainings.

The Company reviews its management system and all its business processes from suppliers to customers, through a self-assessment model based on the criteria of the European Foundation for Quality Management (EFQM), and defines proactive approaches to improve its overall performance and the value created in all fields of its activities.

Based on the principles of total quality philosophy and motivated with team work concept, Arçelik strives to attain its organizational and function-specific objectives, continuously progress and grow in target markets.

Self-Assessment

Arçelik, winner of the EFQM Excellence Award and the Turkish Quality Association's (KalDer) Grand Award, has adopted a self-assessment method to identify its strengths and improvement opportunities. The Company's self-assessment methodology is based on the EFQM Excellence Model and the process starts with an on-line survey annually. Following this, the Company's top management team, including the managers of all functions, organizes workshops to assess the Company and its functions according to the nine criteria of the EFQM Excellence Model, namely leadership, policy and strategy, people, partnerships and resources, processes, people results, customer results, society results and key performance results.

Results of the survey are used to develop department-specific improvement plans. The final step involves an overall evaluation of the results by the Quality Systems and Six Sigma Management Department and the preparation of a report, which is later utilized as an input for the strategic planning cycle of the Company.

Total Productive Maintenance (TPM)

The Company implements the “Total Productive Maintenance” (TPM) system, which is based on teamwork at all levels, units and functions from senior management to the lower ranks.

TPM ensures the effective use of resources by eliminating all factors that have a direct or indirect negative impact on efficiency.

Six Sigma

Arçelik has adopted the Six Sigma system in order to improve its processes and make them more transparent and manageable, to create a decision-making mechanism based on facts and to develop a platform for continuous growth in profitability. Beyond this, the Six Sigma approach also helps the Company to harmonize its organizational and process objectives, build customer-focus and develop a common language.

The main goal of Six Sigma applications is to achieve excellence in lean and simple products and processes. Arçelik started its first Six Sigma projects in 1998 in its production and technology processes. Today, the Quality Systems and Six Sigma Management Department coordinates the Six Sigma activities of the Company in production and non-production processes. The Six Sigma projects are determined and conducted by Six Sigma leaders. The Company organizes regular training courses for the expansion and continuity of the Six Sigma system.

EMPLOYEE-FOCUSED APPROACH

Arçelik believes that its most important duty is to comply with international standards and directives in its production activities and adopts an employee-focused approach that is consistent with global norms.
As an indication of its commitment to its employees, the Company conducts fact-finding surveys to meet the requirements of the Global Compact principles and SA 8000 (Social Accountability) standard. Efforts at improvement are implemented in order to meet the expectations of employees and to create a more healthy and reliable working environment.

In 2005, Arçelik was among the first signatories of the Code of Conduct issued by CECED. This treatise ensures that companies demonstrate a sustainable performance in meeting the requirements of international conventions on working conditions (including minimum employment age, working hours, occupational health and safety, collective agreements, etc.), and those regarding environmental laws and standards. Companies that sign the Code of Conduct encourage their suppliers to comply with these principles as well.

Aware of the value of its employees in sustainable development, the Company, in its operations in the durable consumer goods industry, undertakes to:

- comply with all national and international regulations, as well as all legal and other requirements in relation to occupational health and safety
- create a safe and healthy working environment for its employees, subcontractors, suppliers, trainees and visitors and increase their awareness in occupational health and safety issues through continuous training
- conduct risk analyses in all processes and eliminate hazards and potential accidents at their source by adopting a proactive approach
- classify the hazards and risks of its operations in relation to occupational health and safety, as well as to determine and continuously review goals to ensure that operations are carried out in a manner free of hazards and risks
- set targets for health and safety standards in line with the concept of continuous improvement
- continuously improve emergency response plans
- share responsibility about occupational health and safety at all management levels and support participation in occupational health and safety efforts at all levels
- take measures to achieve a zero work accident rate and a zero occupational disease rate at all campuses

Employee training courses held by Arçelik demonstrate the Company's commitment to occupational health and safety. In 2006, the total training time amounted to 6,382 hours.

AWARDS

1995

- Non-CFC Refrigerator Production
- Ankara Chamber of Industry, Environment Badge and Plaque

1996

- Establishment of Cogeneration Facilities at Çayırova and Eskişehir Plants
- Istanbul Chamber of Industry, Environmental Incentive Award - Washing Machine Plant

1997

- Istanbul Chamber of Industry, Grand Environment Award - Washing Machine Plant

1998

- Electrical Research Administration (EIEI) Energy-Saving Project Award - Refrigerator Plant
- Bolu Chamber of Industry and Commerce, Environment Award - Cooking Appliances Plant
- Istanbul Chamber of Industry, Environmental Success Award - Cooking Appliances Plant
- American Society for Quality (ASQ), Environment-Friendly Industry Award - Compressor Plant
- Istanbul Chamber of Industry, Grand Environment Award - Compressor Plant
- Istanbul Chamber of Industry, Environmental Competition, First-Prize - Refrigerator Plant

1999

- Golden Package Award - Dishwasher Plant

2000

- Energy Saving in Industry Award from the Ministry of Energy - Refrigerator Plant

2001

- Production of refrigerators with VCC compressors and A+ energy labels
- Orbital Products

2002

- Turkish Cogeneration Association, Best Cogeneration Plant Award - Washing Machine Plant
- Turkish Cogeneration Association, Best Cogeneration Plant Award - Refrigerator Plant
- Direct Drive Technology
- Total Productive Maintenance, TPM Excellence Award - Washing Machine Plant

2003

- Products bearing energy labels compatible with EU standards

2004

- European Energy Commission, Energy+ Award - The Most Energy-Efficient Refrigerator
- The first and only Turkish company to be invited to the 10th Global Climate Change Conference at the United Nations
- Total Productive Maintenance, TPM Excellence Award - Refrigerator Plant
- Total Productive Maintenance, TPM Continuous Excellence Award - Washing Machine Plant

2005

- Total Productive Maintenance, TPM Excellence Award - Dishwasher Plant
- Total Productive Maintenance, TPM Excellence Award - Electric Motors Plant
- Eco Top Ten Energy Award- Germany- Blomberg Heat Pump Dryer

2006

- European Union Environmental Awards, First-Prize in Product Category - Blomberg Refrigerator
- European Union Environmental Awards, Second-Prize in Product Category - “Ekolojist” Dishwasher
- Total Productive Maintenance, TPM Continuous Excellence Award - Refrigerator Plant
- Total Productive Maintenance, TPM Excellence Award - Arctic Cooling Appliances Plant

ENVIRONMENT-FRIENDLY PRODUCTS

REFRIGERATOR

The new frost-free side-by-side refrigerator with water and ice dispensers was designed at the Eskişehir Refrigerator Plant with a view to meeting increasing national and international demand. With its Class A energy performance, the frost-free side-by-side refrigerator is highly energy-efficient.

The refrigerator, complete with its stainless steel, traceless Inox surface and elegant aluminum handles, has a five-dimension protection system and antibacterial odor filters ensuring hygienic and odorless cooling. Its ionizer system eliminates bacteria and supplies air to keep food items fresh for longer periods and its anti-bacterial door sealing ensures that the refrigerator is even more hygienic.

Environment-Friendly Product: This Class-A refrigerator consumes 30% less energy compared to its Class-B counterparts. Thanks to the unique design of its hinges, its doors close automatically to prevent waste of energy and loss of nutritional value. The refrigerator works with the environment-friendly R600a cooling gas, which does not harm the ozone layer.

Active Fresh Blue Technology: The product uses a light source that preserves Vitamin C in vegetables and fruits, keeps food items fresh for extended periods and allows food items to "breathe".

Fresh Freeze: Because of this special section, meat freezes very quickly and does not release its juices when thawed, thereby remaining fresh and delicious.

Smart Cooling System: With this system, concealed vents in the rear air channel blow cool air to the sides and the bottom. Thus, food items placed near the rear wall do not freeze and temperature distribution is balanced and equal. The rear wall is illuminated from top to bottom. Also, the appearance is more elegant since the air vents are not visible.

MAVİ IŞIK TEKNOLOJİSİ

DISHWASHER

The world's quickest dishwasher has unique features and a wide range of program options including Pre-wash, Super Mini 20' 35°C, Mini 30' 35°C, Delicate 40°C, Eco 50°C, Express 58' 60°C, Mix 70°C, Intensive 70°C, Hygiene+ 70°C, and Auto 40-65°C. With "Silent", "Extra Drying" and "Quick Wash" functions the dishwasher meets all needs and exceeds customers' expectations.

Innovative Technology: The world's quickest dishwasher, washing a full 12 place settings in only 58 minutes at Class-A washing performance, also has 20-minute and 30-minute program options. Thanks to its innovative variable speed motor technology the machine applies higher spraying pressure to greasy pots and pans on the bottom shelf, simultaneously applying low spraying pressure and temperature to glassware on the top shelf, allowing you to wash your heavily soiled pots and pans together with your delicates. The "Auto Programme", with its sensors, it senses the amount and dirtiness of the dishes and adjusts the temperature and washing profile accordingly.

Low Water and Energy Consumption: With 9 lt. of water usage, it offers the lowest water consumption among AAA dishwashers. This environment-friendly product only consumes 1.05 kWh.

Silence: With its 44 dBA "Super Silence" feature, this machine offers more comfort to consumers.

Safety: Its advanced overflow safety system prevents unexpected overflowing, making it a more reliable and safe product.

Ergonomics and Ease-of-Use: The LCD display enables single-point control and selection of programs. Users can also see the remaining time and program phase on the screen while the dishwasher is operating. With its adjustable upper rack (even when it is loaded), its adjustable mug shelves, the folding plate supports in the lower basket, baby-bottle holder and glass holder, this dishwasher is very ergonomic.

BUILT-IN OVEN

In order to meet the high demand in the rapidly-growing built-in market, the Bolu Cooking Appliances Plant designs and produces multi-functional, pyrolytic, hi-tech electronic ovens.

This 55 lt., multi-functional product is easy to use. It features 13 functions, a "Cooking Guide" offering most suitable cooking parameters for 36 meals, an electronic temperature control in 1°C increments, a step cooking function, a multi-language programmer, automatic displays and a cooking progress monitor. The control panel allows the user to cook each meal at optimum temperatures and positions.

Class-A Energy Consumption: With its Class-A energy performance, this environment-friendly product consumes only 0.79 kWh in the fan-cooking mode.

3D Cooking: This feature helps save both energy and time by cooking three different meals simultaneously on three trays, without mixing their flavors.

Pyrolytic Cleaning Cycle: The oven has a self-cleaning feature that reaches 500°C inside the oven. There are three different pyrolytic cleaning cycles to choose from, depending on the level of dirtiness.

Cool Door: The oven prevents loss of heat during cooking with its four-layer glass cover. Also, when oven temperatures reach 500°C during pyrolytic cleaning, the cool door prevents heat transfer and ensures safe usage.

Telescopic System: Its telescopic system is designed for safe and easy use.

WASHING MACHINE

With its Super Mini 14, Express 30 and Express 58 cycles, the washing machine developed by the Company is the world's quickest model. It saves time and energy by washing 7 kilograms of laundry at one time.

Thanks to its special brushless DC motor technology (BLDC), it spins 2.5 times more silently than standard machines. This model's water-jet system guarantees the highest washing performance by soaking the laundry quickly and spraying detergent and water.

This new product by Arçelik allows for programming up to 24 hours in advance. Also the digital display shows the cycle time and the time left until completion.

Energy Performance: Thanks to its 1.19 kWh energy consumption, which is classified as Class A+, this machine saves 10% more energy compared to other Class-A products.

Intelligent Control System: This innovative model features a system that makes programming easier and automatically limits the spin cycle and temperature according to the selected laundry type. This feature prevents user mistakes such as washing synthetic or woolen clothes at high temperature or spinning them at the wrong cycle.

Express Function: This system allows for perfect cleaning of 7 kg of heavily soiled laundry at 90°C in only 88 minutes. The express feature may be selected in cotton and synthetic programs to wash lightly soiled laundry in a shorter time in order to save energy and time.

Electronic Water Intake Control System: This feature calculates and automatically adjusts water intake accurately according to the type and quantity of the laundry. This machine is even able to wash a few pieces of laundry economically because of its low water consumption of 49 lt.

Hand Wash Program: This cycle minimizes the rubbing effect and splashing to prevent shrinking, matting and deformation. It perfectly washes delicate clothing items, which are recommended to be hand-washed by textile producers.

DRYER

The Company aims to make clothes dryers as popular in Turkey as they are in Europe. In 2004, the Company broke new ground and launched the first domestic dryer.

With its Class-A energy performance and electronic-heat pump, superior technology and unique tumble movements, this product is the first dryer in the world that guarantees full drying. Even in the wool cycle, it continues drying up to the desired level and eliminates a second drying action. The dryer has 14 programs and its digital display allows for the monitoring of the cycle time and the time left for completion.

Class-A Energy Consumption: Thanks to a heat pump technology that enables drying without a heater, this dryer consumes 2.00 kWh of energy and provides almost 45% energy-savings compared to conventional dryers. Such low energy consumption translates into less impact on the environment.

Because of its superior quality and energy efficiency, consuming only 2.00 kWh of energy, this dryer won the “Eco Top Ten” award of the German Eco Institute in 2005. The heat-pump dryer has also been chosen as a “best buy” in Germany and Belgium because of its unique features and energy efficiency.

“WE CONTRIBUTE TO THE ECONOMIC AND SOCIAL DEVELOPMENT OF TURKEY”

EDUCATION IS THE FUTURE OF SOCIETY

Arçelik believes that developing and implementing projects to improve social standards and find solutions for sustainable development is part of its core responsibilities. Since its foundation, the Company has been committed to undertake the responsibilities in light of its corporate values and culture, which constitute the basis of the Company's corporate social responsibility approach.

In economic matters and social matters alike, Arçelik has assumed a pioneering position, both with a view to creating added value for social development.

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 problems in a proactive manner and contributes to the rational utilization of national resources.

"Standing United for Education with Arçelik"

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

With this project, the Company aims to improve the education and development standards of children who come from disadvantaged families and study at regional primary boarding schools, 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 Children, Too", "Support and Education for Teachers", "Arçelik Education Scholarship" and "Voluntary Family Association".

This educational development initiative aims to contribute towards raising 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 and reach wider masses.

The NGOs contributing to this program include:

- The Vehbi Koç Foundation (VKV)
- The Turkish Educational Volunteers Foundation (TEGV)
- The Mother, Children and Education Foundation (AÇEV)
- The Private Sector Volunteers Society (ÖSGD)

"Standing United for Education with Arçelik" Projects

Our Rooms

The main goal of this project is to provide a better environment for children studying away from their families. Equipped with educational materials, these rooms offer children the opportunity to spend their free time creatively, participate in cultural and artistic activities, and learn while having fun.

Education Scholarship

The Education Scholarship program provides financial support to top graduates of regional primary boarding schools who do not have the financial means to attend high school.

Support and Education for Teachers

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

They Were Once Children

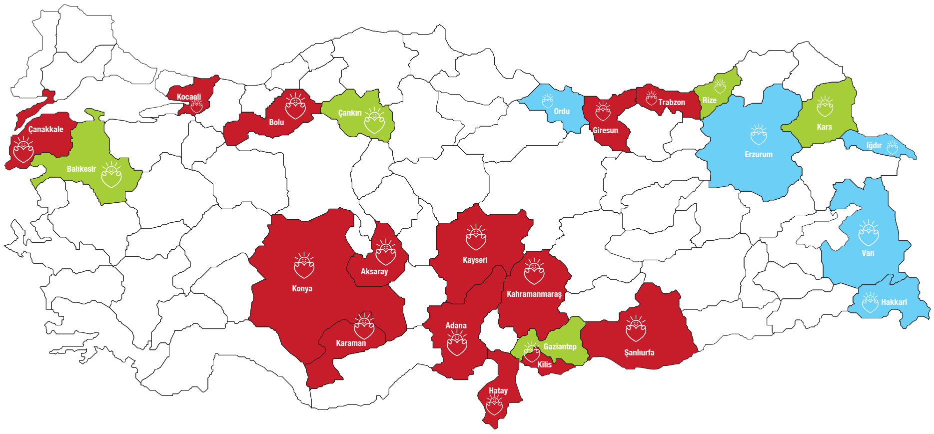
As they grow up, children follow the example of the individuals around them. These role models influence children's personalities and future goals. With this project, children meet successful individuals and are given the message that each one of them is a precious individual and can be successful if they pursue their goals. This fosters a positive self-image and helps them to believe in themselves and become self-confident individuals.

Voluntary Family Association

One of the core values of "Standing United for Education with Arçelik" is the involvement in "volunteer social work" which has become popular around the world and in Turkey as well. The contribution and local commitment of volunteers is critical for the sustainability of the program. The Voluntary Family Association is a group of volunteers who perform monitoring and assistance tasks in regional primary boarding schools.

STANDING UNITED FOR EDUCATION

arçelik



Provinces Covered by the Program

- Pilot Provinces in Academic Year 2004-2005: Van, Hakkari, Iğdır
  Provinces added subsequently: Erzurum, Ordu
- Academic Year 2004-2005: Gaziantep, Kars, Rize, Çankırı, Balıkesir
- Academic Year 2005-2006: Çanakkale, Kocaeli, Bolu, Konya, Karaman, Aksaray, Kahramanmaraş, Kayseri, Adana, Trabzon, Şanlıurfa, Hatay, Giresun, Kilis

Academic Year 2005-2006

Total number of schools included in the program: 101 schools in 24 provinces

Total number of students included in the program: 80,000 students

Target for Academic Year 2006-2007:

The “Standing United for Education with Arçelik” project aims to reach 115,000 students in 142 schools in 30 provinces, as well as 41 regional primary boarding schools in 6 provinces including Malatya, Elazığ, Ağrı, Ardahan, Artvin and Kastamonu.

STANDING UNITED FOR EDUCATION WITH ARÇELİK

Achievements in 2006

The program was launched in 101 schools in 24 provinces including Çanakkale, Kocaeli, Bolu, Konya, Karaman, Aksaray, Kahramanmaraş, Kayseri, Adana, Trabzon, Şanlıurfa, Hatay, Giresun and Kilis.

- January 27, 2006: “Our Rooms” completed in Adana.
- February 20-25, 2006: “On-the-Job Training Workshop” and Administrator Training held in Nevşehir for schools recently included in the program.
- February 27, 2006: “Our Rooms” completed in Hatay.
- March 20, 2006: “Our Rooms” completed in Kilis.
- March 2006: Arçelik Education Scholarship Application Forms sent to 300 regional primary boarding schools in conjunction with the Ministry of Education.
- April 18, 2006: Bolu Cooking Appliances Plant “Volunteers Team” completed “Our Rooms” in Bolu.
- April 23, 2006: Art, poetry and handcraft contest organized under the leadership of Erzurum authorized dealers. Successful students were given awards in a special ceremony.
- April 23, 2006: “Our Rooms” opened in Mudurnu, Bolu and Kıbrıscık on National Sovereignty and Children's Day.
- April 12-May 5, 2006: “Employee Volunteer Programme” introduced to employees in Arçelik Ankara, Bolu, Eskişehir, Çayırova and Sütlüce campuses.
- May 22-26, 2006: Program measurement and assessment completed.
- May 26, 2006: Construction of “Our Rooms” completed in Aksaray, with the Volunteer Team from the Eskişehir Refrigerator and Compressor Plant. A book donation campaign was held to support the library in the Aksaray Eskil Regional Primary Boarding School.
- May 30, 2006: “Our Rooms” completed in Kocaeli Akmeşe by the Çayırova Plant Volunteer Team.
- May 31, 2006: “Our Rooms” completed in Şanlıurfa.
- May 31, 2006: “Our Rooms” completed in the Çankırı Orta Regional Primary Boarding School by the Ankara Plant Volunteer Team.
- May 31, 2006: Bolu Plant Volunteer Team donated musical instruments to Bolu Mudurnu Regional Primary Boarding School and sponsored a mandolin course.
- June 5, 2006: Books and stationery donation campaign held on all campuses. Donations were sent to the Gaziantep and Kocaeli Regional Primary Boarding Schools.
- May 31-11 June, 2006: More than 1,000 students in Kayseri, Adana, Gaziantep, Şanlıurfa, Van, Erzurum, Trabzon and Giresun watched the “Sizinkiler-Dünya Kaç Bucak” children's play sponsored by Koç Holding.
- May 2006: The Company dealers held donation campaigns to meet the needs of schools in Batman, Ardahan, Kocaeli, Kırıkkale and Ordu.
- September 30, 2006: Construction of “Our Rooms” completed in Konya, Karaman, Kayseri and Kahramanmaraş.
- October 2006: “Our Rooms” completed in Çanakkale.
- October 2006: Arçelik scholarships granted to eligible students.
- November 2006: “Our Rooms” completed in Giresun and Trabzon.

SENSITIVE TO THE NEEDS OF THE COMMUNITY

Arçelik Family and Volunteerism

Arçelik believes that the key to solving social problems is "people", and voluntary efforts of sensitive people result in long-lasting solutions to difficult situations.

Together with its employees, authorized dealers, suppliers and business partners, Arçelik is a large family and its synergy enables the Company's volunteer efforts across the country to find capable solutions to complex social concerns.

Embracing its core values and principles, the Arçelik family uses its time, expertise and energy for activities that add value to the community.

Arçelik Volunteer Teams are working to make a difference in children's lives…

Set up by Arçelik employees within the framework of corporate social responsibility, "Arçelik Volunteer Teams" support the "Standing United for Education with Arçelik" project.

- April 23, 2006: The Bolu Cooking Appliances Plant Volunteer Team completed the construction of "Our Rooms" in Bolu and opened "Our Rooms" in Mudurnu. Volunteer visited the school and, learning that the school needed musical instruments, donated mandolins and sponsored a mandolin course.
- May 30, 2006: The Çayırova Washing Machine Plant Volunteer Team completed the decoration of "Our Rooms" in Kocaeli.
- May 31, 2006: Volunteer employees from the Ankara Dishwasher Plant spoke with students in Çankırı concerning different professions.
- May 31, 2006: The Bolu Cooking Appliances Plant Volunteer Team held a book donation campaign for the Bolu Kıbrıscık Library.
- June 4, 2006: The Eskişehir Refrigerator and Compressor Plant Volunteer Teams renovated the library in the Aksaray Eskil Regional Primary Boarding School and constructed "Our Rooms".
- May 18-June 2, 2006: Donation campaigns were held on all campuses to help the libraries of the Gaziantep and Kocaeli Regional Primary Boarding Schools.
- Voluntary authorized dealers continued to support regional primary boarding schools.

- Computers and educational materials were donated to six regional primary boarding schools in Batman.
- The Ardahan Atatürk Regional Primary Boarding School building was painted.
- The front side of Kocaeli Akmeşe Regional Primary Boarding School was repaired and painted, and the roof was also repaired.
- Science and social sciences labs were constructed in the Kırıkkale Hüseyin Kahya Regional Primary Boarding School.
- Computers and educational materials were donated to the Ordu Tunasuyu Regional Primary Boarding School.
- Arçelik authorized dealers and service centers implemented various projects as a part of the "For My Country Day" events organized by Koç Holding.
- June 2, 2006: Arçelik Sütlüce Campus employees supported the painting of the Hasköy Güner Akın High School building in conjunction with the "For My Country Day".

ARTS AND CULTURE

As a pioneer in industry since its foundation, Arçelik has always sought to use its creativity and technology to develop products that exceed the expectations of customers. This commitment is also reflected in its corporate social responsibility projects. From November 2 to December 31, 2006, the Company sponsored the world-famous "The Genius of Leonardo" exhibition, which featured interactive reproductions of the inventions of this genius. The exhibition took place at the Rahmi M. Koç Museum and served to open a window into Da Vinci's incredible mind. The exhibition mostly consisted of life-sized and interactive replicas of forty unique and functional machines designed by Leonardo Da Vinci between 1478 and 1513. These replicas were built by expert historians and engineers based on the great inventor's original drawings. Following the Istanbul exhibition, which attracted over 114,000 visitors in two months, Arçelik supported the transfer of this exhibition to the Middle East Technical University in Ankara. From February 24 to March 24, 2006, the exhibition has been visited by more than 60,000 persons.

SPORTS

In addition to its support for education, culture and the arts, Arçelik believes that supporting sports is also an important contribution to the development of Turkey and the future generations. The Company has supported various sports activities for many years in Turkey in order to promote and make them more popular.

The Arçelik Sports Club Volleyball Team was set up in keeping with this philosophy and is one of the leading clubs training young athletes for the national team. Today, as a result of the team's success in both Turkey and Europe, Arçelik is harvesting the fruit of these efforts.

This commitment led Arçelik to decide in 2006 to continue its sponsorship of the Turkish Basketball League for four more years through its young, innovative and dynamic Beko brand. Arçelik believes that this long-term cooperation between the Basketball Federation and Beko brand will contribute greatly to the development of young athletes, as well as to the Beko Basketball League itself, which is a good training ground for basketball stars who represent Turkey abroad, especially in the NBA.

TBL BEKO BASKETBOL LİGİ

AGENDA

ARÇELİK A.Ş.
ORDINARY GENERAL MEETING
APRIL 3, 2007

1. Opening and election of the Presidential Board.
2. Reading and discussing the Board of Directors' Report, the Board of Auditors' Report and the Independent Auditor's Report concerning 2006 operations and accounts; approving, amending and voting on the Board of Directors' proposal for the 2006 balance sheet and income statement.
3. Releasing the Members of the Board of Directors and the Board of Auditors from liability regarding the 2006 accounts and operations of the Company.
4. Approving, amending and voting on the proposal of the Board of Directors for profit distribution.
5. Determining the number of Board Members who shall continue to serve until the Ordinary General Meeting to be held to review 2007 operations and accounts, and electing new Board Members.
6. Reelecting or replacing auditors who shall continue to serve until the Ordinary General Meeting to be held to review 2007 operations and accounts.
7. Determining the monthly gross remuneration of the Chairman and Members of the Board of Directors and Auditors.
8. Informing the General Meeting of the donations and grants made by the Company to foundations and societies in 2006.
9. Deciding on the amendment of Article 3 (“Purpose and Scope”) of the Articles of Association.
10. Approving the independent auditors elected by the Board of Directors to audit the 2007 operations and accounts pursuant to the Communiqué on Independent Auditing Standards in Capital Markets, issued by the Capital Markets Board.
11. Within the framework of Article 15 of the Capital Markets Law and Communiqué Series IV, No. 27, issued by the Capital Markets Board, authorizing the Board of Directors to distribute advance dividends to shareholders out of the interim profit. This is provided that such authorization is limited to 2007, and deciding that advance dividends to be distributed in 2007 shall be offset against the extraordinary reserves of the previous balance sheet in the event of a loss or insufficient profit at the end of the relevant accounting period.
12. Authorizing the Members of the Board of Directors to directly or indirectly engage or hold an interest in any business that is identical or similar to the business of the Company and to perform other transactions pursuant to Articles 334 and 335 of the Turkish Commercial Code.
13. Signing the Minutes of the General Meeting by the Presidential Board and authorizing the Presidential Board accordingly.
14. Proposals

PROPOSAL FOR PROFIT DISTRIBUTION

Esteemed Shareholders,

The financial statements of the Company are prepared according to IFRS pursuant to Communiqué Series XI, No. 25, of the Capital Markets Board.

The balance sheet and income statement for 2006 have been prepared according to IFRS and made available for your examination for the last fifteen days.

As you will see on the balance sheet and the income statement, our Company's consolidated net profit in 2006 was TRY 324,147,396.89.

After setting aside 5% statutory reserves amounting to TRY 17,482,652.25 pursuant to Article 466 of the Turkish Commercial Code and deducting the profits of affiliates and subsidiaries whose general meetings have not decided to distribute dividends, we obtain a distributable profit of TRY 247,664,604.22 according to the Capital Market Law and related regulations. Adding TRY 11,205,152.75 in grants to tax-exempt foundations and societies in 2006, we obtain the sum of TRY 258,869,756.97 which is the basis of the first dividend. Our statutory records contain TRY 623,676,129.85 in distributable profit, with TRY 332,170,392.84 of this amount coming from the profit for the period.

We hereby propose the following allocation of the consolidated profit for the period, calculated pursuant to CMB legislation:

TRY 17,482,652.25	5% primary reserves
TRY 199,980,000.00	gross dividend to shareholders
TRY 17,998,200.00	10% secondary reserves

and propose that the balance be added to extraordinary reserves.

Based on our statutory records, we ask for the approval of the General Meeting of Shareholders for funding the TRY 199,980,000.00 cash dividend as follows:

TRY 196,740,050.00	out of extraordinary reserves from previous years
TRY 3,239,950.00	out of extraordinary earnings for the period.

We also ask for your approval:

- for paying a cash dividend at the rate of 50.0% (which corresponds to a TRY 0.500 gross and net cash dividend for one share certificate with a nominal value of TRY 1.00) to institutional shareholders who are full taxpayers or limited taxpayers and obtain dividends through a business or a permanent representative in Turkey;
- for paying a cash dividend at the rate of 50.0% to the other shareholders, which corresponds to TRY 0.500 gross and TRY 0,42621 net cash dividend for one share certificate with a nominal value of TRY 1.00; and
- for starting dividend payments on Monday, May 14, 2007.

We wish that 2007 will be a prosperous year for Turkey and for our Company.

Yours sincerely,

Rahmi M. Koç

Chairman

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company's Board of Directors has decided to amend Article 3 (G) ("Purpose and Scope") of the Articles of Association as follows, to allow the Company to use new financial instruments while conducting its commercial operations. The necessary preliminary permissions have been obtained from the Capital Markets Board and the Ministry of Industry and Trade.

FORMER TEXT

PURPOSE AND SCOPE

Article 3- The Company shall engage in all kinds of commercial and industrial activities in relation to production, sales (including on-line sales) and marketing, leasing, importing and exporting refrigerators, freezers, washing machines, dishwashers, water heaters, vacuum cleaners, varnishing machines, air conditioners, cooling appliances and installations, radio sets, TV sets, audio and video recorders and sets, ovens, stoves, cookers, hair dryers, mixers and all other household appliances operating with or without electrical energy or with alternative power sources, bathtubs and fitted kitchens, domestic goods including furniture and carpets and industrial and commercial types of such goods, as well as components such as compressors, electric motors, carburetors, power transmission units which constitute main or secondary inputs for the above-listed products; mobile phones, mobile phone lines and components; electronic devices, instruments and components; vehicles and passenger cars and motors and other components thereof; devices used for the generation, use, transmission and distribution of energy.

The Company may perform these activities directly, and may also perform its production activities in partnership with others. It may produce goods with its own brands or for and on behalf of others with their brands.

In relation to its purpose and scope, the Company may, in Turkey and abroad:

A) act or authorize others to act as an agent, broker, representative and dealer;

B) on its own or jointly with others, set up marketing and transportation organizations, train its employees, use and install computer systems;

C) establish companies, participate in existing companies, joint partnerships and other forms of cooperation, and perform these activities with foreigners, provided that applicable legal requirements are met;

D) own trademarks, models, drawings, special production and manufacturing methods, know-how, patent rights and exercise the relevant rights;

E) export and import, and bid for contracts with or without local and foreign partners;

F) use its knowledge and experience, and build facilities and plants in Turkey and abroad for others;

G) buy and dispose of securities in Turkey and abroad, including bonds and share certificates, provided that such transactions do not constitute security brokerage or portfolio management transactions, buy share certificates and when necessary dispose of share certificates of commercial banks, financial lending, consumer lending and factoring companies for participating therein;

H) participate in, and when necessary divest, companies producing and broadcasting radio and television programs, operating television studios and producing and selling relevant devices;

I) buy, sell, import and export all kinds of raw materials, semi-finished goods and finished goods;

İ) establish and/or commission others to establish all kinds of R&D laboratories and research centers;

J) make donations and give grants to foundations, societies, universities and similar organizations established with social objectives, provided that applicable regulations of the CMB are complied with and such donations and grants do not result in any situation covered by Article 15 of the Capital Markets Law and further provided that such donations and grants are reported at the General Meeting and necessary material disclosures are made;

K) establish, under an auto-generation license, a power generation plant to meet its electrical and heat energy needs, provided that applicable electric market regulations are complied with, and in case of an energy surplus, sell electrical and heat energy and/or capacity to other licensed legal entities and independent consumers in line with applicable legislation, and import equipment and fuels for the plant provided that such import is not for commercial purposes

If other activities are desired to be performed to serve the interests of the Company, such additional activities shall be proposed at the General Meeting by the Board of Directors. Such additional activities shall be carried out only after a resolution is made at the General Meeting accepting the proposal of the Board. However, since such resolution shall constitute an amendment to the Articles of Association, the permission of the CMB and the Ministry of Industry and Trade shall be required before its implementation.

NEW TEXT

PURPOSE AND SCOPE

Article 3- The Company shall engage in all kinds of commercial and industrial activities in relation to production, sales (including on-line sales) and marketing, leasing, importing and exporting refrigerators, freezers, washing machines, dishwashers, water heaters, vacuum cleaners, varnishing machines, air conditioners, cooling appliances and installations, radio sets, TV sets, audio and video recorders and sets, ovens, stoves, cookers, hair dryers, mixers and all other household appliances operating with or without electrical energy or with alternative power sources, bathtubs and fitted kitchens, domestic goods including furniture and carpets and industrial and commercial types of such goods, as well as components such as compressors, electric motors, carburetors, power transmission units which constitute main or secondary inputs for the above-listed products; mobile phones, mobile phone lines and components; electronic devices, instruments and components; vehicles and passenger cars and motors and other components thereof; devices used for the generation, use, transmission and distribution of energy.

The Company may perform these activities directly, and may also perform its production activities in partnership with others. It may produce goods with its own brands or for and on behalf of others with their brands.

In relation to its purpose and scope, the Company may, in Turkey and abroad:

A) act or authorize others to act as an agent, broker, representative and dealer;

B) on its own or jointly with others, set up marketing and transportation organizations, train its employees, use and install computer systems;

C) establish companies, participate in existing companies, joint partnerships and other forms of cooperation, and perform these activities with foreigners, provided that applicable legal requirements are met;

D) own trademarks, models, drawings, special production and manufacturing methods, know-how, patent rights and exercise the relevant rights;

E) export and import, and bid for contracts with or without local and foreign partners;

F) use its knowledge and experience, build facilities and plants in Turkey and abroad for others;

G) buy and dispose of securities in Turkey and abroad including bonds and share certificates, depository receipts, futures, derivatives traded on financial markets and structured financial instruments, provided that such transactions do not constitute security brokerage or portfolio management transactions, buy share certificates and when necessary dispose of share certificates of commercial banks, financial lending, consumer lending and factoring companies for participating therein;

H) participate in, and when necessary divest, companies producing and broadcasting radio and television programs, operating television studios and producing and selling relevant devices;

I) buy, sell, import and export all kinds of raw materials, semi-finished goods and finished goods;

İ) establish and/or commission others to establish all kinds of R&D laboratories and research centers;

J) make donations and give grants to foundations, societies, universities and similar organizations established with social objectives, provided that applicable regulations of the CMB are complied with and such donations and grants do not result in any situation covered by Article 15 of the Capital Markets Law and further provided that such donations and grants are reported at the General Meeting and necessary material disclosures are made;

K) establish, under an auto-generation license, a power generation plant to meet its electrical and heat energy needs, provided that applicable electric market regulations are complied with, and in case of an energy surplus, sell electrical and heat energy and/or capacity to other licensed legal entities and independent consumers in line with applicable legislation, and import equipment and fuels for the plant provided that such import is not for commercial purposes

If other activities are desired to be performed to serve the interests of the Company, such additional activities shall be proposed at the General Meeting by the Board of Directors. Such additional activities shall be carried out only after a resolution is made at the General Meeting accepting the proposal of the Board. However, since such resolution shall constitute an amendment to the Articles of Association, the permission of the CMB and the Ministry of Industry and Trade shall be required before its implementation.

ARÇELİK ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006 TOGETHER WITH AUDITOR'S REPORT

AUDITOR'S REPORT

To the General Meeting of Arçelik A.Ş.

Please find below the results of our audit on the 2006 accounting period of the company.

1. The company continued its activities in accordance with the Capital Markets Law and other applicable legislation, and obtained successful results.

2. We have observed that the statutory books and records have been duly kept in compliance with the Turkish Commercial Code and other applicable legislation, and that the documents underlying these accounting records have been properly maintained.

3. We have concluded that the attached consolidated financial statements as of 31 December 2006 have been kept in accordance with the accounting principles announced by the Capital Markets Board, which we adopt, and that these statements accurately reflect the true financial condition and business results of the company as of the above-mentioned date.

4. We have observed that decisions concerning the management of the company have been duly entered into a book of resolutions, which was properly kept.

To conclude, we kindly ask the General Meeting to approve the company activities summarized in the report of the Board of Directors, the consolidated financial statements prepared in accordance with capital markets legislation, and the Board of Directors' proposal for the distribution of dividends, and to release the Board of Directors from liability.

Istanbul, 9 March 2007

Yours truly,

Mert Şaban Bayram

Serkan Özyurt

PRICEWATERHOUSECOOPERS

Başaran Nas Bağımsız Denetim
ve Serbest Muhasebeci Mali
Müşavirlik A.Ş.
a member of
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CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH

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., its subsidiaries and its joint-ventures (the "Group") which comprise the consolidated balance sheet as of 31 December 2006 and the consolidated statement of 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 generally accepted auditing principles and standards issued by the CMB. Those principles 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 2006, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the financial reporting standards issued by the CMB (Note 2).

Additional paragraph for convenience translation into English

5. The financial reporting standards described in Note 2 (defined as "CMB Accounting 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 and presentation of primary financial statements and the notes to them. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, consolidated financial performance and consolidated cash flows in accordance with IFRS.

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

Haluk Yalçın, SMMM
Partner

Istanbul, 15 March 2007

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER

(Amounts expressed in thousands of New Turkish lira [TRY] unless otherwise indicated)

	Notes	2006	*Restated* *2005*
ASSETS			
Current assets			
Cash and cash equivalents	4	288,796	293,520
Marketable securities (net)	5	-	-
Trade receivables (net)	7	2,287,127	1,884,846
Lease receivables (net)	8	-	-
Due from related parties (net)	9	234,444	255,352
Other receivables (net)	10	-	-
Biological assets (net)	11	-	-
Inventories (net)	12	1,275,026	965,326
Construction contract receivables (net)	13	-	-
Deferred tax assets	14	-	-
Other current assets	15	113,264	62,623
Total current assets		**4,198,657**	**3,461,667**
Non-current assets			
Trade receivables (net)	7	13,693	19,584
Lease receivables (net)	8	-	-
Due from related parties (net)	9	36,144	-
Other receivables (net)	10	-	-
Financial assets (net)	16	816,084	652,940
Goodwill/negative goodwill (net)	17	1,788	3,264
Investment properties (net)	18	2,786	2,418
Property, plant and equipment (net)	19	1,115,169	930,582
Intangible assets (net)	20	126,881	43,843
Deferred tax assets	14	58,437	22,987
Other non-current assets	15	-	-
Total non-current assets		**2,170,982**	**1,675,618**
Total assets		**6,369,639**	**5,137,285**

The consolidated financial statements as at and for the year ended 31 December 2006 have been approved for issue by the Board of Directors on 15 March 2007 and signed on its behalf by Fatih Kemal Ebiçlioğlu, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director.

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER

(Amounts expressed in thousands of New Turkish lira [TRY] unless otherwise indicated)

	Notes	2006	*Restated* 2005
LIABILITIES			
Current liabilities			
Short-term bank borrowings	6	962,858	193,930
Current maturities of long-term bank borrowings	6	306,269	213,963
Lease payables (net)	8	161	208
Other financial liabilities (net)	10	83,647	82,148
Trade payables (net)	7	812,300	693,010
Due to related parties (net)	9	423,746	387,816
Advances received	21	54,722	195,429
Construction contracts progress billings (net)	13	-	-
Provisions	23	2,266	4,894
Deferred tax liabilities	14	-	-
Other current liabilities (net)	15	301,048	230,568
Total current liabilities		**2,947,017**	**2,001,966**
Non-current liabilities			
Long-term bank borrowings (net)	6	1,047,735	841,674
Lease payables (net)	8	91	140
Other financial liabilities (net)	10	10,867	10,676
Trade payables (net)	7	36,144	-
Due to related parties (net)	9	-	-
Advances received	21	-	-
Provisions	23	52,852	47,947
Deferred tax liabilities	14	34,666	31,126
Other non-current liabilities (net)	15	103,730	68,119
Total non-current liabilities		**1,286,085**	**999,682**
Total liabilities		**4,233,102**	**3,001,648**
MINORITY INTEREST	**24**	**32,890**	**81,746**
SHAREHOLDERS' EQUITY			
Share capital	**25**	**399,960**	**399,960**
Treasury shares	**25**	**-**	**-**
Capital reserves	**26**	**1,079,829**	**1,006,470**
Share premium	26	-	-
Share cancellation gains		-	-
Revaluation fund		-	-
Financial assets fair value reserve		330,845	257,486
Inflation adjustment to shareholders' equity		748,984	748,984
Profit reserves	**27**	**77,180**	**4,518**
Legal reserves		61,759	31,359
Statutory reserves		-	-
Extraordinary reserves		-	-
Special reserves		-	-
Investment and property sales income to be added to the capital		-	-
Translation reserves		15,421	(26,841)
Net income		**324,147**	**259,913**
Prior years' income	**28**	**222,531**	**383,030**
Total shareholders' equity		**2,103,647**	**2,053,891**
Total shareholders' equity and liabilities		**6,369,639**	**5,137,285**
Commitments and contingent liabilities	**31**		

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in thousands of New Turkish lira [TRY] unless otherwise indicated)

	Notes	2006	*Restated* 2005
Operating revenue			
Net sales	36	6,958,683	6,245,444
Cost of sales (-)		(5,115,635)	(4,749,370)
Gross operating profit		**1,843,048**	**1,496,074**
Operating expenses (-)	37	(1,349,263)	(1,178,362)
Net operating profit		**493,785**	**317,712**
Other income and gains	38	48,689	38,120
Other expenses and losses	38	(84,935)	(73,301)
Financial income/(expenses), net	39	(117,590)	(2,998)
(Loss)/ income from associates, net	16	22,492	19,385
Income before monetary loss, taxes and minority interests		**362,441**	**298,918**
Monetary loss	40	-	-
Income before tax and minority interest		**362,441**	**298,918**
Minority interest	24	33,491	30,118
Income before tax		**395,932**	**329,036**
Taxes on income	41	(71,785)	(69,123)
Net income		**324,147**	**259,913**
Earnings per share (TRY)	42	0,8104	0,6498

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

ARÇELİK ANONİM ŞİRKETİ

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

(Amounts expressed in thousands of New Turkish lira [TRY] unless otherwise indicated)

	Capital Reserves				Profit Reserves			Retained Earnings			
	Share capital	Share premium	Inflation adjustment to shareholders' equity	Financial assets fair value reserve	Legal reserves	Extraordinary reserves	Translation reserves	Prior years' income	Net income	Total	Total Shareholders' equity
Balance at 1 January 2005 - as previously reported	**399,960**	**256,707**	**748,984**	**-**	**-**	**-**	**(14,198)**	**-**	**293,201**	**293,201**	**1,684,654**
Accounting policy change - IAS 39 (*)	-	-	-	12,550	-	-	-	(10,750)	(1,800)	(12,550)	-
Effect of correction in associates (*)	-	-	-	-	-	-	-	(4,295)	(1,194)	(5,489)	(5,489)
Effect of business combination under common control (*)	-	-	-	2,213	-	-	530	139,707	3,519	143,226	145,969
Accounting policy change - IAS 8 (*)	-	(256,707)	-	-	-	-	-	229,121	(8,418)	220,703	(36,004)
Balance at 1 January 2005- as restated	**399,960**	**-**	**748,984**	**14,763**	**-**	**-**	**(13,668)**	**353,783**	**285,308**	**639,091**	**1,789,130**
Correction of negative goodwill in accordance with IFRS 3 (**)	-	-	-	-	-	-	-	4,475	-	4,475	4,475
Transfers	-	-	-	-	-	-	-	285,308	(285,308)	-	-
Dividends paid	-	-	-	-	31,359	-	-	(260,536)	-	(260,536)	(229,177)
Translation reserves	-	-	-	-	-	-	(13,173)	-	-	-	(13,173)
Financial assets fair value gain (net)	-	-	-	244,871	-	-	-	-	-	-	244,871
Income from sales of financial assets	-	-	-	(2,148)	-	-	-	-	-	-	(2,148)
Net income	-	-	-	-	-	-	-	-	259,913	259,913	259,913
Balance at 31 December 2005	**399,960**	**-**	**748,984**	**257,486**	**31,359**	**-**	**(26,841)**	**383,030**	**259,913**	**642,943**	**2,053,891**
Transfers	-	-	-	-	-	-	-	259,913	(259,913)	-	-
Dividends paid	-	-	-	-	30,400	-	-	(230,380)	-	(230,380)	(199,980)
Translation reserves	-	-	-	-	-	-	42,262	-	-	-	42,262
Financial assets fair value gain (net)	-	-	-	73,359	-	-	-	-	-	-	73,359
Effect of business combination under common control (*)	-	-	-	-	-	-	-	(190,032)	-	(190,032)	(190,032)
Net income	-	-	-	-	-	-	-	-	324,147	324,147	324,147
Balance at 31 December 2006	**399,960**	**-**	**748,984**	**330,845**	**61,759**	**-**	**15,421**	**222,531**	**324,147**	**546,678**	**2,103,647**

(*) Details of related corrections are disclosed in Note 2.4.
(**) Related explanation is disclosed in Note 17.

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER

(Amounts expressed in thousands of New Turkish lira (TRY) unless otherwise indicated)

	Notes	2006	*Restated* 2005
Operating activities:			
Net Income		395,932	329,036
Minority interest		(33,491)	(30,118)
Adjustments to reconcile net cash provided from operating activities to income before tax			
Increases and decreases in accruals and provisions	43	122,389	20,521
Depreciation and amortisation	18, 19, 20	156,308	189,409
Interest income	39	(19,395)	(32,631)
Interest expense	39	189,046	92,019
(Loss) / income from associates (net)	16	(22,492)	(19,385)
Net income from sales of property, plant and equipment intangible assets (net)	38	(636)	(421)
Net income / (loss) from sales of financial assets	38	(5,135)	(1,879)
Net cash provided by operating activities before changes in operating assets and liabilities		**782,526**	**546,551**
Changes in operating assets and liabilities (net)	43	(817,130)	(154,839)
Income and corporate taxes paid	41	(123,279)	(83,703)
Net cash used in operating activities		**(157,883)**	**308,009**
Investing activities:			
Cash provided from sale of tangible and intangible assets		9,487	11,850
Acquisition of tangible and intangible assets		(325,784)	(255,504)
Cash outflow from acquisition of subsidiaries		(190,032)	(23)
Cash provided from sale of financial assets		9,495	3,869
Capital increases of financial assets		-	(124,762)
Translation differences (net)		15,446	(5,535)
Net cash used in investing activities		**(481,388)**	**(370,105)**
Financing activities:			
Interest received		19,896	35,846
Interest paid		(182,046)	(89,717)
Dividends paid	9	(209,690)	(231,389)
Dividends received		3,240	-
Increase/(decrease) in held-to-maturity investments (net)		(56,647)	7,643
Increase in bank borrowings		1,059,794	319,304
Net cash provided from financing activities		**634,547**	**41,687**
Net decrease in cash and cash equivalents		**(4,724)**	**(20,409)**
Cash and cash equivalents as of 1 January		**293,520**	**313,929**
Cash and cash equivalents as of 31 December		**288,796**	**293,520**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

NOTE 1 - ORGANISATION AND PRINCIPAL ACTIVITIES

Arçelik Anonim Şirketi (a Turkish corporation - "Arçelik" or "the Company") and its subsidiaries, joint ventures and associates (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 and Russia. 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 Sütlüce, 34445 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 2006 the shares quoted on the Istanbul Stock Exchange are approximately 21.29% of the total shares. At 31 December 2006, the principal shareholders and their respective shareholdings in the Company are as follows (Note 25):

	%
Koç Holding A.Ş.	39.14
Teknosan A.Ş.	14.68
Koç Family	9.81
Burla Ticaret ve Yatırım A.Ş.	7.66
Koç Holding Emekli ve Yardım Sandığı Vakfı	4.50
Other	24.21
	100.00

The average number of employees of the Group is 16,701 (31 December 2005: 14,881).

The Company's subsidiaries ("Subsidiaries"), joint ventures ("Joint Ventures") and investments in associated undertakings ("Associates") are explained as follows.

Subsidiaries	Country of incorporation	Core Business	Nature of business
Arcelitalia SRL ("Arcelitalia")	Italy	Sales	Consumer durables/Electronics
Archin Limited ("Archin")	Hong Kong, China	Sales	Consumer durables/Electronics
ArcticPro SRL ("ArcticPro")	Romania	Service	Consumer durables
Arctic Service ("Arctic Service")	Romania	Service	Consumer durables
Ardutch B.V. ("Ardutch")	the Netherlands	Investment	Holding
Bekodutch B.V. ("Bekodutch")	the 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 Electronik Llc ("Beko Electronic Russia")	Russia	Production/Sales	Electronics
Beko Elektronik A.Ş. ("Beko Elektronik")	Turkey	Production/Sales	Electronics
Beko France S.A. (Beko France")	France	Sales	Consumer durables/Electronics
Beko Llc. ("Beko Russia")	Russia	Production/Sales	Consumer durables/Electronics
Beko Magyarország K.F.T. ("Beko Magyarorszag")	Hungary	Sales	Consumer durables/Electronics
Beko Plc. ("Beko UK")	the U.K.	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
Elektra Bregenz ("Elektra Bregenz")	Austria	Sales	Consumer durables/Electronics
Fusion Digital Technology Ltd. ("Fusion Digital") (*)	the U.K.	Technology	Electronics
Izocam Llc ("Izocam Russia")	Russia	Production	Consumer durables
Izodutch B.V. ("Izodutch")	the Netherlands	Investment	Holding
Raupach Wollert GmbH ("Raupach")	Germany	Investment	Holding
SC Arctic SA ("Arctic")	Romania	Production/Sales	Consumer durables/Electronics
Sherbrook International Limited ("Sherbrook") (**)	the U.K.	Sales	Automotive components

(*) Liquidation in process.
(**) Disposed in 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

Joint ventures	Country of incorporation	Core Business	Nature of business
Grundig Multimedia B.V. ("Grundig")	the Netherlands	Investment	Holding
Grundig Australia Pty. Ltd ("Grundig Australia")	Australia	Sales	Electronics
Grundig Benelux B.V. ("Grundig Benelux")	the Netherlands	Sales	Electronics
Grundig Danmark A/S ("Grundig Denmark")	Denmark	Sales	Electronics
Grundig España S.A. ("Grundig Espana")	Spain	Sales	Electronics
Grundig Intermedia GmbH ("Grundig Intermedia")	Germany	Sales	Electronics
Grundig Italiana S.p.A. ("Grundig Italy")	Italy	Sales	Electronics
Grundig Intermedia GmbH ("Grundig Austria")	Austria	Sales	Electronics
Grundig Intermedia Trgovina, d.o.o. ("Grundig Slovenia")	Slovenia	Sales	Electronics
Grundig Magyarország Kft. ("Grundig Hungary")	Hungary	Sales	Electronics
Grundig Svenska AB. ("Grundig Sweden")	Sweden	Sales	Electronics
Grundig Norge AS ("Grundig Norway")	Norway	Sales	Electronics
Grundig OY ("Grundig Finland ")	Finland	Sales	Electronics
Grundig Portuguesa, Lda ("Grundig Portugal")	Portugal	Sales	Electronics
Grundig Polska Sp. z o.o. ("Grundig Polska")	Poland	Sales	Electronics
Grundig AG ("Grundig Switzerland")	Switzerland	Sales	Electronics
Grundig S.A.S. ("Grundig France")	France	Sales	Electronics

Related companies are jointly controlled by Beko Elektronik A.Ş., the Subsidiary of the Group, and Alba Plc, the joint venture partner, which is incorporated in the U.K.

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 K.H.A.Ş. ("Koç Tüketici Finans")	Turkey	Finance	Consumer finance
Ram Dış Ticaret A.Ş. ("Ram Dış Ticaret")	Turkey	Sales	Foreign trade
Ram Pacific Ltd. ("Ram Pacific")	Hong Kong, China	Sales	Foreign trade
Tanı Pazarlama İ.H.A.Ş. ("Tanı Pazarlama")	Turkey	Consultancy	Marketing and communication

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Accounting policies

The consolidated financial statements of Arçelik have been prepared in accordance with the accounting and reporting principles published by the Capital Market Board ("CMB"), namely "CMB Accounting Standards". The CMB published a comprehensive set of accounting principles in Communiqué No XI-25 "The Accounting Standards in the Capital Markets". In the aforementioned communiqué, it was stated that applying the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") is accepted as an alternative to conform to the CMB Accounting Standards.

With the decision taken on 17 March 2005, the CMB has 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 Accounting Standards. Accordingly, International Accounting Standard ("IAS") 29 ("Financial Reporting in Hyperinflationary Economies") issued by IASB, has not been applied in consolidated financial statements for the accounting periods commencing from 1 January 2005. These consolidated financial statements and the related notes have been prepared under the alternative application defined by the CMB as explained above and presented in accordance with the formats required by the CMB with the announcement dated 20 December 2004.

The consolidated financial statements are prepared in New Turkish Lira ("TRY") based on the historical cost conversion except for the financial assets and liabilities which are expressed with their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

2.2 Financial statements of foreign Subsidiaries and Joint Ventures

Financial statements of Subsidiaries and Joint Ventures operating in foreign countries are prepared according to the legislation of the country in which they operate, and adjusted to the CMB Accounting Standards to reflect the proper presentation and content. Foreign Subsidiaries and Joint Ventures' 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 retranslation 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.

2.3 Group accounting

(a) The consolidated financial statements include the accounts of the parent company, Arçelik, and its Subsidiaries, Joint Ventures and Associates on the basis set out in sections (b) to (f) 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 IFRS and applying uniform accounting policies and presentations.

(b) Subsidiaries are companies over which Arçelik has power 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 using rights, otherwise having the power to exercise control over the financial and operating policies.

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 period, respectively.

The table below sets out all Subsidiaries included in the scope of consolidation and shows their direct and indirect ownership and economic interests at 31 December:

	2006 %	2005 %
Arctic	96.69	96.69
Ardutch	100.00	100.00
Bekodutch	100.00	100.00
Beko Cesko (*)	100.00	-
Beko Czech (**)	100.00	100.00
Beko Deutschland	100.00	100.00
Beko Electronic Russia (*)	100.00	-
Beko Elektronik	72.46	72.46
Beko Espana	99.97	99.97
Beko France	99.94	99.94
Beko Hungary (**)	100.00	100.00
Beko Magyarorszag (*)	100.00	-
Beko Polska	100.00	100.00
Beko Russia	100.00	100.00
Beko Slovakia (*)	100.00	-
Beko UK	50.00	50.00
Blomberg Vertrieb	100.00	100.00
Blomberg Werke	100.00	100.00
Elektra Bregenz	100.00	100.00
Fusion Digital	100.00	95.00
Izodutch	100.00	-
Raupach	100.00	100.00
Sherbrook (***)	-	55.00

(*) Incorporated in 2006.
(**) Included in the scope of consolidation in 2006.
(***)Sold in 2006 and disposed from the scope of consolidation from the date that the control ceased.

Subsidiaries, in which the Group has ownership interests over 50% and which are immaterial, are carried at cost, less any provision for impairment. Subsidiaries excluded from the scope of consolidation are disclosed in Note 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

(c) 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. 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.

The table below sets out all Joint Ventures included in the scope of consolidation and shows their direct and indirect ownership and economic interests at 31 December:

	2006 %	2005 %
Grundig	50.00	50.00
Grundig Australia	50.00	50.00
Grundig Austria	50.00	50.00
Grundig Benelux	50.00	50.00
Grundig Denmark	50.00	50.00
Grundig Espana	50.00	50.00
Grundig Finland	50.00	50.00
Grundig France	50.00	50.00
Grundig Intermedia	50.00	50.00
Grundig Italy	50.00	50.00
Grundig Hungary	50.00	50.00
Grundig Norway	50.00	50.00
Grundig Portugal	50.00	50.00
Grundig Polska	50.00	50.00
Grundig Sweden	50.00	50.00
Grundig Switzerland	50.00	50.00

The economic interest of the above Joint Ventures included in the scope of consolidation is 36.18%.

Joint ventures, in which the Group has ownership interests over 50% and which are immaterial, are carried at cost, less any provision for impairment. Joint ventures excluded from the scope of consolidation are disclosed in Note 16.

(d) Associates are companies in which the Group has attributable interest of 20% or more 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. The Group's share of the Associates' profits or losses for the period is recognised in the income statement and its share of Associates' movements in shareholders' equity such as changes in financial assets fair value reserve and translation reserves are recognised in the statement of shareholders' equity. The Group's interest in the Associates is carried in the consolidated balance sheet at an amount that reflects its share in the net assets of the Associates. Provisions are provided if a long-term impairment in value is identified (Note 16).

The table below sets out all Associates and shows their direct and indirect ownership and economic interests at 31 December:

	2006 %	2005 %
Arçelik - LG	45.00	45.00
Koç Tüketici Finans	47.00	47.00
Ram Dış Ticaret	33.50	33.50
Ram Pacific	25.00	50.00
Tanı Pazarlama	32.00	32.00

(e) Available-for-sale investments, in which the Group has controlling interests below 20%, equal to 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.

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

Available-for-sale investments in which the Group has attributable interests of more than 50%, which are immaterial for the Group's consolidated financial position, operation results and net assets, are excluded from the scope of consolidation.

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

2.4 Comparatives and restatement of prior years' financial statements

The consolidated financial statements of the Group include comparative financial information to enable the determination of the trends in financial position and performance.

The prior years' consolidated financial statements, due to accounting policies (Note 3.10) and other changes applied in the preparation of the consolidated financial statements as of 31 December 2006, are restated in accordance with the principles of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and other related standards. The effects of related changes to the prior years' income and net income (all together referred as "retained earnings") as of 1 January 2005 are summarised below:

1 January 2005 - as previously reported	**293,201**
Accounting policy change - IAS 39 (a)	(12,550)
Effect of correction in associates (b)	(5,489)
Business combination under common control (c)	143,226
Accounting policy change - IAS 8 (d)	220,703
1 January 2005 - as restated	**639,091**

(a) IAS 39 "Financial Instruments: Recognition and Measurement" has been revised effective from the period beginning on or after 1 January 2005. In accordance with the revised standard, fair value gains and losses on available-for-sale financial assets shall be directly recognised in equity except where they are permanent in a negative way, until the financial assets are derecognised. The Group recognised such fair value gains and losses on available-for-sale financial assets in the consolidated statement of income until 31 December 2004. As a result of the revision in IAS 39, the Group applied the accounting policy change retrospectively, and adjusted all related comparative financial information. As a result of this correction, previously reported retained earnings as of 1 January 2005 have decreased and financial assets fair value reserves have increased by TRY12,550.

(b) The Group's share of the corrections due to accounting policy changes in the financial statements of Koç Tüketici Finans, an Associate of the Group, is recognised in the consolidated financial statements. As a result of this correction, previously reported financial assets and retained earnings as of 1 January 2005 have decreased by TRY5,489.

(c) The Group accounted for the business combination, which is explained in Note 32 in detail and is related to the acquisition of shares of Beko Elektronik, a subsidiary of the Group, in accordance with the accounting policy stated in Note 3.10 with the conclusion that the aforementioned policy reflects the economic substance of the transaction reliably and more relevant. In accordance with the related accounting policy, comparative consolidated financial statements have been restated considering the total amount of assets acquired and liabilities assumed, with the necessary consolidation adjustments as of the earliest reporting period (retrospectively). Furthermore, as a result of the related accounting, previously reported financial assets fair value reserve, translation reserves and retained earnings as of 1 January 2005 have increased by TRY2,213, TRY530 and TRY143,226, respectively.

(d) Similar business combinations under common control those were reported in the previous periods are restated in accordance with the accounting policies explained in Note 3.10. Consequently, the previously reported share premium and goodwill concerning these transactions as of 1 January 2005 have decreased by TRY256,707 and TRY36,004, respectively and retained earnings have increased by TRY220,703.

(e) The Group recognises sales and purchases related to its Subsidiaries and Joint Ventures made through Ram Dış Ticaret as intra-group transactions; thus these transactions are eliminated in the consolidated financial statements. Related transactions which occurred in 2005 are similarly eliminated for consistency with the current year financial statements and as a result of the mentioned elimination, consolidated export sales and the related cost of sales for the year ending 31 December 2005 have decreased by TRY487,426.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

2.5 Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

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

The financial reporting standards described in Note 2.1 (defined as CMB Accounting 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 and presentation of primary financial statements and the notes to them. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, consolidated financial performance and consolidated cash flows in accordance with IFRS.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 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. Transactions with related parties are priced predominantly at market rates (Note 9).

3.2 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.

A credit risk 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 7).

3.3 Credit finance income/charges

Credit finance income/charges represent imputed finance income/charges on credit sales and purchases. Such income/charges 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 (Note 39).

3.4 Loans and provisions for loan impairment

When the loan is originated by the Group by providing money directly to a bank, the loan is secured with marketable securities, Turkish government bonds and treasury bills, acquired under reverse repurchase agreements with banks with a predetermined sale price at fixed future dates and is stated at amortised cost. The accrued interest represents the apportionment to the current period of the difference between future sale prices and the amount provided by the Group. Such originated loans where original maturity at the time the money is directly transferred to the bank is less than three months, are considered and classified as cash equivalents for the purposes of the statement of the cash flows (Note 5).

A credit risk provision for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the 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 loan at inception.

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

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 the current period's income statement.

3.5 Financial assets

Investment securities with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale. These are included in non-current assets unless management has the intention of holding the investment securities for less than 12 months from the balance sheet date, or unless they will need to be sold to raise working capital, in which case they are included in current assets. Management determines the appropriate classification of its investment securities at the time of the purchase and re-evaluates such a designation on a regular basis. The unrealised gains and losses arising from changes in the fair value of available-for-sale securities are deferred in the equity under "financial assets fair value reserve" until the financial asset is sold, collected or otherwise disposed of. When available-for-sale securities are sold, collected or otherwise disposed of, related deferred gains and losses in equity are released to the income statement (Note 16).

All financial assets are initially recognised at the cost of the purchase including the transaction costs. Investments, in which the Group has ownership interest under 20%, which 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.

3.6 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 inventories is determined on the moving 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).

3.7 Property, plant, equipment and depreciation

Property, plant and equipment are carried at cost less accumulated depreciation (Note 19). 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 since their indefinite useful life.

The Group has reviewed the useful lives of property plant and equipment and has redetermined such useful lives effective from 1 January 2005 as follows (Note 44.b):

	New useful life	Previous useful life
Land and land improvements	25	25
Buildings	30-50	25-50
Machinery and equipment	11-25	6-10
Vehicles	4-8	4-6
Moulds	4-7	4-10

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 period in which they are incurred.

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.

3.8 Intangible assets

Intangible assets comprise of acquired information systems, trademarks, software, licenses and other identified rights. They are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives for a period not exceeding 15 years from the date of acquisition. Amortisation is not provided for trademarks and service organisation since they have an indefinite life. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount (Note 20).

3.9 Investment property

Land and buildings held in the production or supply of goods or service or for administrative purposes or for long-term rental yields or for capital appreciation or both rather than for 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 18).

Investment properties are reviewed for possible impairment losses and 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 utilisation of this investment property or fair value less cost to sell.

3.10 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 allocated by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination cost is accounted for as goodwill.

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 17).

The 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.

Previously recognised goodwill and negative goodwill had been amortised over their estimated useful lives using the straight-line method in the consolidated financial statements until 31 December 2004. The carrying value of negative goodwill from the acquisitions is derecognised in the financial statements in accordance with IFRS 3 with a corresponding adjustment to the opening balance of retained earnings (Note 17).

In business combination involving entities under common control, assets and liabilities subject to business combination are recognised at their carrying amounts in consolidated financial statements. In addition, statements of income are consolidated from the beginning of 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 shareholders' equity.

3.11 Finance 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.

Operating 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

Finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the consolidated balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognised on a straight-line basis over the lease term.

3.12 Borrowing cost

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. They are stated at amortised cost using the effective yield method; any difference between proceeds and the redemption value is recognised in the income statement over the period of borrowings (Note 6).

3.13 Deferred income taxes

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 14).

The principal temporary differences arise from the restatement of property, plant and equipment and over their historical cost, the portion of allowance for unearned credit finance income and expense, provision for employment termination benefits 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.

Deferred tax assets and liabilities related to income taxes levied by the same taxation authority are offset accordingly.

3.14 Accounting for derivative financial instruments and embedded derivatives

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

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. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative (Note 15).

3.15 Employment termination benefits

The provision for employment termination benefits, as required by Turkish Labour Law, is recognised in these financial statements as the benefits are earned. The total provision represents the present value of future probable obligation of the Group arising from the retirement of its employees regarding the actuarial projections (Note 23).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

3.16 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.

3.17 Revenue recognition

Revenues are recognised on an accrual basis at the time deliveries or acceptances are made, at the invoiced values. Net sales represent the invoiced value of goods shipped less sales returns and commission and excluding sales taxes. 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 as interest income in the period on an accrual basis as financial income.

3.18 Interest income

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

3.19 Repair and maintenance expenditure, research and development costs and borrowing costs

Repair and maintenance expenditure, research and development costs and borrowing costs are charged to the consolidated statement of income as they are incurred.

3.20 Dividends

Dividends receivable are recognised as income in the period when they are declared and dividends payables are recognised as an appropriation of profit in the period in which they are declared (Note 9).

3.21 Warranties

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 15).

3.22 Investment, research and development incentives

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

3.23 Share premium

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

3.24 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 programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

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.

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

Ownership of financial assets involves the risk that counter parties may be unable to meet the terms of their agreements. The majority of the receivables are from authorised dealers and related parties. The Group has in place effective credit evaluation, disbursement and monitoring procedures and those control procedures are supported by senior management. The credit risk is generally highly diversified due to the large number of entities comprising the customer bases. Another method in managing credit risk is the adequate collateral received from authorised dealers.

Foreign currency risk

The Group is exposed to foreign currency risk through the impact of rate changes on the translation of TRY pertaining to foreign currency denominated assets and liabilities. These risks are monitored and limited by the analysis of the foreign currency position.

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 to the extent that relevant and reliable information is available from the financial markets. However, judgement 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.

The following methods and assumptions are used in the estimation of the fair value of the financial instruments for which it is practicable to estimate fair value:

Monetary assets

The fair values of balances denominated in foreign currencies, which are translated at period-end exchange rates, are considered to approximate carrying values.

The fair values of certain financial assets carried at cost, including cash and cash equivalents and held to maturity investments plus the respective accrued interest are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses.

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values.

The fair values of investment securities, which have been determined by reference to market values, approximate carrying values.

Monetary liabilities

The fair values of bank borrowings and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

Trading liabilities, derivatives and foreign exchange instruments have been estimated at their fair values.

Borrowings that are denominated in foreign currencies are translated at period-end exchange rates and accordingly their fair values approximate their carrying values. The carrying values of borrowings along with the related accrued interest are estimated to be their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

3.25 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation at the balance sheet date 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.

3.26 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 consolidated balance sheets and are disclosed as contingent assets or liabilities (Note 31).

3.27 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 period 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 and inflation adjustment to shareholders' equity. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the period in which they were issued and for each earlier period.

No bonus shares have been issued during the period.

3.28 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 year ended 31 December is as follows:

	2006	2005
Cash and cash equivalents - maturities of less than 3 months (Note 4)	288,796	293,520
	288,796	**293,520**

NOTE 4 - CASH AND CASH EQUIVALENTS

	2006	2005
Cash in hand	160	185
Cash at banks		
- demand deposits	80,703	66,469
- time deposits	132,073	171,978
Cheques and notes	72,675	52,086
Other	3,185	2,802
	288,796	**293,520**

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

As of 31 December, maturities of cash and cash equivalents are as follows:

	2006	2005
Up to 30 days	286,864	265,010
30 - 90 days	1,932	28,510
	288,796	**293,520**

As of 31 December, effective interest rates (%) of time deposits are as follows:

	2006	2005
TRY time deposits	-	14.86
EUR time deposits	3.24	3.32
USD time deposits	4.87	4.43
GBP time deposits	-	4.43
Other foreign currency time deposits	4.49	4.25

NOTE 5 - MARKETABLE SECURITIES

There are no short-term marketable securities at balance sheet date (31 December 2005: None).

NOTE 6 - BORROWINGS

(a) Short-term bank borrowings

	2006	2005
TRY loans	834,654	2,466
Foreign currency loans	107,453	91,566
Eximbank loans	20,751	32,682
Letters of credit	-	67,216
	962,858	**193,930**

Interest rates for short-term TRY loans for the year ended 31 December 2006 range from 14.00% to 20.40% (31 December 2005: 12.00-13.00%). The interest rate for short-term foreign currency loans for the year ended 31 December 2006 range from 4.15% to 6.90% (31 December 2005: 2.00-6.00%).

(b) Long-term bank borrowings

As of 31 December 2006, long-term bank borrowings are as follows:

Currency	Interest rate per annum (%)	Original foreign currency	Balance outstanding TRY
USD	Libor+0.80-3.50 and 8%	200,528,057	281,862
GBP	Libor+0.65-1.38	49,351,213	136,056
EUR	Euribor+0.75-3.20	293,416,595	543,261
TRY	19.70%-21.16%	343,499,096	343,499
RUB	7.01%-7.04%	523,407,788	28,180
RON	7.10%	38,621,489	21,146
			1,354,004
Less: Current maturities			(306,269)
			1,047,735

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

As of 31 December 2005, long-term bank borrowings are as follows:

Currency	Interest rate per annum (%)	Original foreign currency	Balance outstanding TRY
USD	Libor+0.95-3.25 ve 8%	126,887,961	170,258
GBP	Libor+1.38-3.75	34,279,659	79,258
EUR	Euribor+1.85-3.25	376,852,766	598,255
TRY	14.45%-16.75%	207,865,641	207,866
			1,055,637
Less: Current maturities			(213,963)
			841,674

The Group has syndication loans from the International Finance Corporation ("IFC") in the amount of EUR193,255,339 and from the Netherlands Development Finance Company ("FMO") in the amount of EUR13,333,333 as of 31 December 2006. Loans obtained for general usage purposes consist of the purchase of equipment and other fixed assets for production and modernisation purposes, research and development and new product development, as well as acquisitions and increased working capital requirements.

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

	2006	2005
2007	-	343,086
2008	658,215	271,856
2009	203,348	105,525
2010	84,666	73,072
2011	60,086	34,038
2012 and over	41,420	14,097
	1,047,735	**841,674**

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables	2006	2005
Trade receivables	940,818	700,726
Notes receivables	1,305,421	1,081,214
Cheques receivables	159,793	187,873
Doubtful receivables	76,469	39,284
	2,482,501	**2,009,097**
Less: Provision for doubtful receivables	(69,122)	(32,445)
Less: Unearned credit income	(126,252)	(91,806)
	2,287,127	**1,884,846**

Movements in the provision for doubtful receivables as of 31 December are as follows:

	2006	2005
Balance at the beginning of the year	**32,445**	**16,461**
Current year additions (Note 38)	38,094	23,660
Recoveries of doubtful receivables	(1,417)	(7,676)
Balance at the end of the year	**69,122**	**32,445**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

	2006	2005
Long-term trade receivables		
Trade receivables	12,463	17,991
Deposits and guarantees given	1,230	1,593
	13,693	**19,584**
Short-term trade payables		
Trade payables	820,126	697,062
Deposits and guarantees received	1,615	1,687
Unearned credit finance charges	(9,441)	(5,739)
	812,300	**693,010**
Long-term trade payables		
Trade payables	36,144	-
	36,144	**-**

NOTE 8 - LEASE RECEIVABLES AND PAYABLES

(a) Finance lease receivables

There are no finance lease receivables at balance sheet date (31 December 2005: None).

(b) Finance lease payables

Finance lease payables amounts to TRY252 as of 31 December 2006 (31 December 2005: TRY348).

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Amounts due from and due to related parties at year ends and a summary of major transactions with related parties during the year are as follows:

(i) Balances with related parties

(a) Due from related parties

	2006	2005
Short-term		
Ram Dış Ticaret A.Ş.	183,416	165,087
Akpa Dayanıklı Tüketim Mal. San. Tic. Ltd. Şti.	26,138	19,014
Türk Demir Döküm Fabrikaları A.Ş.	16,683	16,829
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	5,418	3,615
Koç Sistem Bilgi ve İletişim A.Ş.	-	13,871
Other	10,562	45,638
	242,217	**264,054**
Due from personnel	633	356
Less: Unearned credit finance charged to related parties	(8,406)	(9,058)
	234,444	**255,352**

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

	2006	2005
Long-term		
Ram Dış Ticaret A.Ş.	36,144	-
	36,144	**-**

(b) Due to related parties

	2006	2005
Ram Dış Ticaret A.Ş.	120,843	79,653
Beko Ticaret A.Ş.	105,380	14,607
Ram Pacific Ltd.	86,370	89,367
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	74,102	82,558
Koç Faktoring Hizmetleri A.Ş.	21,035	23,536
Türk Demir Döküm Fabrikaları A.Ş.	7,764	6,269
Döktaş A.Ş.(*)	-	10,877
Kofisa SA (*)	-	52,039
Other	17,395	35,262
	432,889	**394,168**
Due to personnel	22,461	17,747
Less: Unearned credit finance income from related parties	(31,604)	(24,099)
	423,746	**387,816**

(*) The controlling rights of Koç Group in the companies ceased following the share transfers in 2006, hence these companies are not considered as related parties as of 31 December 2006.

(c) Deposits

	2006	2005
Yapı ve Kredi Bankası A.Ş.		
- time deposits	25,703	61,803
- demand deposits	5,999	1,692
	31,702	**63,495**

(d) Loans

Yapı ve Kredi Bankası A.Ş.		
- TRY loans	-	10
- Foreign currency loans	1,852	15,385
	1,852	**15,395**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

e) Derivative Instruments

	Contract amount	Fair Values assets/(liabilities)	
2006			
Yapı ve Kredi Bankası A.Ş.	35,623	-	(952)
	35,623	**-**	**(952)**
2005			
Yapı ve Kredi Bankası A.Ş.	(56,460)	1,536	(3,141)
	(56,460)	**1,536**	**(3,141)**

(ii) Transactions with related parties

(a) Sales

	2006	2005
Ram Dış Ticaret A.Ş.	237,683	294,648
Akpa Dayanıklı Tüketim	89,241	68,558
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	29,918	-
Kofisa SA (*)	7,552	27,631
Koç Sistem Bilgi ve İletişim A.Ş.	-	27,307
Other	28,963	53,421
	393,357	**459,579**

(*) The controlling rights of Koç Group in the companies ceased following the share transfers in 2006, hence these companies are not considered as related parties as of 31 December 2006.

(b) Purchases

	2006	2005
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	264,305	206,241
Kofisa S.A. (*)	254,407	169,661
Ram Pacific Ltd.	199,435	125,864
Beko Ticaret A.Ş.	142,032	74,101
Döktaş A.Ş. (*)	63,962	53,373
Türk Demir Döküm Fabrikaları A.Ş.	58,522	54,090
Ram Dış Ticaret A.Ş.	41,316	43,935
İzocam Ticaret ve Sanayi A.Ş. (*)	25,325	12,391
Ram Sigorta Aracılık Hizmetleri A.Ş.	17,693	19,679
Palmira Turizm Ticaret A.Ş.	12,105	12,486
Setur Servis Turistik A.Ş.	5,906	3,681
Other	78,768	72,752
	1,163,776	**836,268**
Less: Credit finance charges by related parties (Note 39)	(17,514)	(19,387)
	1,146,262	**816,881**

(*) The controlling rights of Koç Group in the companies ceased following the share transfers in 2006, hence these companies are not considered as related parties as of 31 December 2006.

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

(c) Other transactions

	2006	2005
Dividends paid	209,690	231,389
Technical service assistance income	4,863	2,726
Interest income	3,391	13,873
Other income	2,323	3,179

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

	2006	2005
Other short-term financial liabilities		
Taxes and duties payable	71,310	69,851
Rescheduled taxes payable	12,337	12,297
	83,647	**82,148**
Other long-term financial liabilities		
Rescheduled taxes payable	10,867	10,676
	10,867	**10,676**

NOTE 11 - BIOLOGICAL ASSETS

There are no biological assets in the operations of the Group.

NOTE 12 - INVENTORIES

	2006	2005
Raw materials and supplies	448,756	341,338
Semi-finished goods	40,095	29,073
Finished goods	217,672	169,617
Merchandise	237,668	218,816
Goods-in-transit	373,086	240,422
	1,317,277	**999,266**
Less: Provision for slow-moving and obsolete inventories	(42,251)	(33,940)
	1,275,026	**965,326**

The provision for slow-moving and obsolete inventories in terms of inventory type is as follows:

	2006	2005
Raw materials and supplies	19,233	13,834
Finished goods	11,406	7,931
Merchandise	11,612	10,310
Goods-in-transit	-	1,865
	42,251	**33,940**

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

Movements in the provision for slow-moving and obsolete inventories are as follows:

	2006	2005
Balance at the beginning of the year	**33,940**	**5,475**
Current year additions (Note 38)	27,130	28,627
Realised due to sale of inventory	(18,819)	(162)
Balance at the end of the year	**42,251**	**33,940**

NOTE 13 - CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLINGS

The Group has no construction contract receivables or progress billings.

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

	2006	2005
Deferred tax assets	58,437	22,987
Deferred tax liabilities	(34,666)	(31,126)
Deferred tax assets/ (liabilities) net	**23,771**	**(8,139)**

The Company recognises deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with CMB Accounting Standards and their statutory financial statements.

Tax rates used for the calculation of deferred tax assets and liabilities calculated based on temporary differences expected to be realised or settled based on the taxable income in coming years under the liability method are disclosed in Note 41.

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

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2006	2005	2006	2005
Property, plant and equipment and intangible assets	376,469	318,053	(74,290)	(95,416)
Available-for-sale investments	348,256	-	(17,411)	-
Portion of allowance for unearned credit finance income and expense that is currently non-tax deductible/taxable	853	(8,593)	(437)	2,578
Provision for warranties and assembly	(235,279)	(145,327)	47,038	42,738
Unused tax credits	(180,904)	(37,222)	36,466	10,600
Provision for employment termination benefits	(51,398)	(46,672)	10,258	14,001
Provision for doubtful receivables	(43,255)	(15,914)	8,651	4,774
Provision for slow-moving and obsolete inventories	(27,610)	(21,758)	5,522	6,526
Accrual for export sales expenses	(5,439)	(15,527)	1,088	4,658
Other	(27,806)	(7,558)	6,886	1,402
Deferred tax assets/(liabilities)-net			**23,771**	**(8,139)**

	2006	2005
Balance at the beginning of the year	**(8,139)**	**(56,053)**
Charged to income statement	48,866	47,844
Charged to shareholders' equity	(17,411)	-
Translation differences	455	70
Balance at the end of the year	**23,771**	**(8,139)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

NOTE 15 - OTHER CURRENT/NON-CURRENT ASSETS AND LIABILITIES

Other current assets

	2006	2005
VAT* and PCT* receivables	75,499	27,453
Taxes and funds deductible	24,728	20,288
Prepaid expenses	6,448	7,718
Assets held for sale	1,317	3,175
Other	5,272	3,989
	113,264	**62,623**

(*) VAT: Value Added Tax , PCT: Private Consumption Tax.

Other current liabilities

	2006	2005
Warranty provision	145,070	101,534
Assembly provision	41,976	22,782
Accrual for export sales expenses	26,424	24,849
Accrual for sales and marketing expenses	18,284	12,995
Accrual for transportation expenses	13,858	8,319
Accrual for customer premiums	6,813	-
Deferred income	3,925	14,220
Accrual for bonuses and premiums	3,244	3,112
Other	41,454	42,757
	301,048	**230,568**

Other non-current liabilities

	2006	2005
Warranty provision	101,122	64,141
Deferred income	1,514	2,155
Other	1094	1,823
	103,730	**68,119**

NOTE 16 - FINANCIAL ASSETS

	2006	2005
Available-for-sale investments	595,724	511,437
Held-to-maturity investments	112,449	55,802
Investments in associated companies	102,872	84,998
Financial assets excluded from the scope of consolidation	5,039	703
	816,084	**652,940**

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

i. Available-for-sale investments:

	2006		2005	
	%	TRY	%	TRY
Koç Finansal Hizmetler A.Ş.	7.66	581,341	7.66	493,631
Entek Elektrik A.Ş.	6.86	12,340	6.86	15,782
Ultra Kablolu	7.50	1,901	7.50	1,901
Tat Konserve Sanayii A.Ş.	0.34	78	0.34	71
Basic International Investment Ltd. (*)	-	-	20.00	-
Other		64		52
		595,724		**511,437**

(*) Available-for-sale investments, in which the Group has ownership interests of 20%, and which the Group does not exercise a significant influence over, are carried at cost, less any provision for impairment.

	2006	2005
Balance at the beginning of the year	**511,437**	**141,161**
Fair value gains / losses (net)	84,275	251,343
Purchase / sale of financial assets (net)	12	(5,443)
Capital increases	-	124,762
Impairment loss provisions	-	(386)
Balance at the end of the year	**595,724**	**511,437**

The unrealised gains (net) arising from changes in the fair value of investments in Koç Finansal Hizmetler A.Ş., Entek Elektrik A.Ş. and Tat Konserve Sanayi A.Ş. amounting to TRY348,256 net off deferred tax effect amounting to TRY17,411 are recognised in consolidated shareholders' equity under the "financial assets fair value reserve" at 31 December 2006 (31 December 2005: TRY257,486).

ii. Held-to-maturity investments:

	2006	2005
Time deposits (USD)	112,449	39,025
Eurobonds (USD)	-	16,777
	112,449	**55,802**

Interest rate of time deposits at 31 December 2006 ranges from 7.25% to 7.75% (31 December 2005: 8.00%). There are no Eurobonds at 31 December 2006 (31 December 2005: 9.88%).

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

iii. Investments in associated companies

	2006		2005	
	%	TRY	%	TRY
Koç Tüketici Finansmanı ve Kart Hizmetleri A.Ş.	47.00	48,801	47.00	37,948
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	45.00	44,653	45.00	38,964
Ram Dış Ticaret A.Ş.	33.50	3,996	33.50	2,333
Ram Pacific Ltd.	25.00	3,256	50.00	2,742
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	32.00	2,166	32.00	3,011
		102,872		**84,998**

	2006	2005
Balance at the beginning of the year	**84,998**	**65,310**
Income / (loss) from investments in associated companies (net)	22,492	19,385
Sales of shares in associates	(1,371)	-
Dividends received from associates	(3,240)	-
Translation differences	(7)	303
Balance at the end of the year	**102,872**	**84,998**
Income/ Loss from investments in associated companies		
Koç Tüketici Finansmanı ve Kart Hizmetleri A.Ş.	10,853	11,252
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	8,929	7,165
Ram Dış Ticaret A.Ş.	1,663	366
Ram Pacific Ltd.	1,892	644
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	(845)	(42)
	22,492	**19,385**

iv. Financial assets excluded from the scope of consolidation

	2006		2005	
	%	TRY	%	TRY
Subsidiaries				
Beko Shanghai Trading Company Ltd.	100.00	2,626	-	-
Izocam Llc	100.00	2,215	-	-
Arcelitalia SRL	100.00	191	100.00	191
ArticPro SRL	99.00	1	99.00	1
Archin Limited	99.99	-	99.99	-
Arctic Service	100.00	-	100.00	-
Beko Hungary (*)	-	-	100.00	410
Beko Czech (*)	-	-	100.00	95
Joint ventures				
Grundig Intermedia Trgovina, d.o.o., Ljubljana	50.00	6	50.00	6
		5,039		**703**

(*) Included in the scope of consolidation as of 1 January 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

NOTE 17 - GOODWILL/NEGATIVE GOODWILL

	1 January 2006	Additions	Disposals	Translation differences	31 December 2006
Goodwill	4,229	-	(2,605)	420	2,044
Accumulated amortisation	(965)	-	846	(137)	(256)
Net carrying value	**3,264**				**1,788**

Goodwill with a net carrying value of TRY1,759 resulting from acquisition of Sherbrook has been derecognised from the financial statement due to sale of related shares.

	1 January 2005	Additions	Disposals	Translation differences	31 December 2005
Goodwill	4,479	-	-	(250)	4,229
Accumulated amortisation	(1,046)	-	-	81	(965)
Net carrying value	**3,433**				**3,264**

	1 January 2005	Additions	Disposals	Translation differences	31 December 2005
Negative goodwill	(7,783)	-	7,783	-	-
Accumulated amortisation	3,308	-	(3,308)	-	-
Net carrying value	**(4,475)**				**-**

Previously recognised negative goodwill with a net carrying value of TRY4,475 as of 1 January 2005 resulting from the acquisition of Bloomberg Vertrieb has been derecognised from financial statements at the beginning of the period in accordance with IFRS 3 with a corresponding adjustment to the opening balance of retained earnings (Note 3.10).

NOTE 18 - INVESTMENT PROPERTY

	1 January 2006	Additions	Disposals	Translation differences	31 December 2006
Cost	3,460	17	-	575	4,052
Accumulated depreciation	(1,042)	(50)	-	(174)	(1,266)
Net carrying value	**2,418**				**2,786**

	1 January 2005	Additions	Disposals	Translation differences	31 December 2005
Cost	3,980	-	-	(520)	3,460
Accumulated depreciation	(1,115)	(73)	-	146	(1,042)
Net carrying value	**2,865**				**2,418**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2006	Additions	Disposals	(*) Transfers	Translation differences	31 December 2006
Cost						
Land	13,813	2,273	(707)	(696)	636	15,319
Land improvement	31,454	1,313	(248)	-	95	32,614
Buildings	346,955	12,075	(5,703)	94,876	8,647	456,850
Machinery and equipment	2,097,871	206,132	(48,367)	25,228	24,137	2,305,001
Motor vehicles, furniture and fixtures	193,807	15,006	(18,570)	4,793	9,349	204,385
Leasehold improvements	32,978	580	(7)	-	280	33,831
Construction in progress	46,156	78,378	-	(120,828)	6,329	10,035
Advances given	4,584	6,275	-	(5,208)	703	6,354
	2,767,618	**322,032**	**(73,602)**	**(1,835)**	**50,176**	**3,064,389**
Accumulated Depreciation						
Land improvement	(11,332)	(1,483)	117	-	(7)	(12,705)
Buildings	(125,987)	(9,008)	1,508	-	(3,549)	(137,036)
Machinery and equipment	(1,537,285)	(119,647)	43,627	370	(13,768)	(1,626,703)
Motor vehicles, furniture and fixtures	(152,272)	(14,954)	17,496	148	(7,428)	(157,010)
Leasehold improvements	(10,160)	(5,543)	7	-	(70)	(15,766)
	(1,837,036)	**(150,635)**	**62,755**	**518**	**(24,822)**	**(1,949,220)**
Net carrying value	**930,582**					**1,115,169**

(*) Property, plant and equipment received as guarantees and classified as Land and Buildings with a net carrying value of TRY1,317 have been transferred to other current assets from property, plant and equipment.

At 31 December 2006, there are mortgages amounting to TRY93,851 on property, plant and equipment (31 December 2005: TRY96,343)

The decrease in the property, plant and equipment due to the sale of Sherbrook with a net carrying value of TRY2,632 is presented in disposals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

NOTE 20 - INTANGIBLE ASSETS

	1 January 2006	Additions	Disposals	Transfers	Translation differences	31 December 2006
Cost						
Rights	67,771	83,818	(865)	868	5,269	156,861
Other intangible assets	21,136	956	(1,676)	518	263	21,197
	88,907	**84,774**	**(2,541)**	**1,386**	**5,532**	**178,058**
Accumulated Amortisation						
Rights	(31,905)	(3,569)	698	(868)	(826)	(36,470)
Other intangible assets	(13,159)	(2,054)	1,203	(518)	(179)	(14,707)
	(45,064)	**(5,623)**	**1,901**	**(1,386)**	**(1,005)**	**(51,177)**
Net carrying value	**43,843**					**126,881**

Starting from January 2001, the contract regarding to the right to use Beko Brand and undertaking the marketing, sales and distribution activities of Beko brand products for the following 20 years, was signed between the Company and Beko Ticaret A.Ş. At the end of the contract period, the rights to use Beko brand will be transferred to the Company. According to the clauses of the contract, payments to be made to Beko Ticaret A.Ş. may be mutually revised in every five years to an amount that would not exceed the original amount determined in the contract. After the negotiations for determining the new amount for the second five-year period that started in 2006, the new amount has not changed significantly compared to the original amount. Following the cost of right to use Beko brand has become reliably measurable, the present value of cash flows considering similar changes in future periods has been recognised in the consolidated financial statements at 31 December 2006.

NOTE 21 - ADVANCES RECEIVED

	2006	2005
Order advances received	54,378	195,148
Other advances received	344	281
	54,722	**195,429**

NOTE 22 - RETIREMENT PLANS

There is no liability for retirement plans in the consolidated balance sheet.

NOTE 23 - PROVISIONS

a) Short-term provisions

	2006	2005
Tax provision (Note 41)	2,266	4,894

b) Long-term provisions

	2006	2005
Provision for employment termination benefits	52,852	47,947

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish lira [“TRY”] unless otherwise indicated)

The provision for employment termination benefits is provided as explained below:

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). Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to length of service prior to retirement.

The amount payable consists of one month's salary limited to a maximum of TRY1,85744 (31 December 2005: TRY1,72715) for each period of service at 31 December 2006.

The liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company registered in Turkey arising from the retirement of employees.

IAS 19 (“Employee Benefits”) requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

	2006	2005
Discount rate (%)	5.71	5.49
Turnover rate to estimate the probability of retirement (%)	99	99

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 TRY1,96069 (1 January 2006: TRY1,77062) which is effective from 1 January 2007 has been taken into consideration in calculating the reserve for employment termination benefit of the Company and its Turkish associates.

Movements in the provision for employment termination benefits are as follows:

	2006	2005
Balance at the beginning of the year	**47,947**	**44,616**
Increase during the year	24,812	14,537
Payments during the year	(20,863)	(11,061)
Disposal of subsidiary (Artesis)	-	(67)
Translation differences	956	(78)
Balance at the end of the year	**52,852**	**47,947**

NOTE 24 - MINORITY INTEREST

Changes in minority interest during the year are as follows:

	2006	2005
Balance at the beginning of the year	**81,746**	**110,717**
Dividend payments	(9,710)	(2,213)
Disposal of subsidiary (Sherbrook/Artesis)	(3,010)	(547)
Acquisition of shares of subsidiaries (Fusion Digital)	-	(1,579)
Effect of change in economic interests	769	1,964
Financial assets fair value gain (net)	(6,494)	6,470
Sales of financial assets	-	(817)
Translation differences	3,080	(2,131)
Net income / (loss) (net)	(33,491)	(30,118)
Balance at the end of year	**32,890**	**81,746**

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

NOTE 25 - SHARE CAPITAL/ADJUSTMENT TO SHARE CAPITAL

The Company is subject to the registered share capital system in accordance with the CMB regulations.

The Company's registered and authorised and paid-in share capital not adjusted for inflation at 31 December are as follows:

	2006	2005
Limit on registered share capital	500,000	500,000
Authorised and paid-in share capital	399,960	399,960

At 31 December, the shareholding structure can be summarised as follows:

	2006		2005	
Shareholders	Share %	Amount	Share %	Amount
Koç Holding	39.14	156,546	39.14	156,546
Teknosan A.Ş.	14.68	58,709	14.68	58,709
Koç Family	9.81	39,252	9.81	39,252
Burla Ticaret ve Yatırım A.Ş.	7.66	30,649	7.66	30,649
Koç Holding Emekli ve Yardım Sandığı Vakfı	4.50	17,982	4.50	17,982
Other	24.21	96,822	24.21	96,822
Total	**100.00**	**399,960**	**100.00**	**399,960**
Adjustment to share capital		468,811		468,811
Total paid-in share capital		**868,771**		**868,771**

The shareholder of the Company, Koç Holding, has pledged its shares in the Company with a nominal value of TRY156.546 as collateral to J.P. Morgan Europe Limited against the loan agreement dated 21 January 2006. The voting and dividend rights relating to these shares have been retained by Koç Holding.

NOTE 26 - 27 - 28 CAPITAL RESERVES, PROFIT RESERVES, RETAINED EARNINGS

Retained earnings as per the statutory financial statements, other than legal reserve requirements, are available for distribution subject to the legal reserve requirement referred to below.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The 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. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the 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.

Quoted companies are subject to dividend requirements regulated by the CMB as follows:

In accordance with the Communiqué No:XI-25 Section 15 paragraph 399, the accumulated deficit amounts arising from the first application of inflation adjustment, in line with the CMB's profit distribution regulations, are considered to be deductive when computing the distributable profit. The amounts presented as accumulated deficit shall be netted-off first from net income and retained earnings, if possible and then the remaining amount of deficit shall be netted-off from extraordinary reserves, legal reserves and inflation adjustment to shareholders' equity.

For the purposes of profit distribution in accordance with related CMB regulations, items of statutory shareholders' equity such as share capital, share premium, legal reserves, other reserves, special reserves and extraordinary reserves, are presented at their historical amounts. The difference between the inflated and historical amounts of these items is presented in inflation adjustment to shareholders' equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

The net income computed in accordance with Communiqué No:XI-25 must be distributed in the ratio of a minimum of 30% of total distributable profit. This distribution may be made either as cash, as pro-rata shares or as a combination of both in accordance with the decisions taken in the general assemblies.

The profits of subsidiaries, joint ventures and associates, that are included in the consolidated financial statements of the parent, are not considered in the calculation of distributable profits, if the decision on profit distribution has not been taken in the general assemblies of the related subsidiaries, joint ventures and associates.

In accordance with Communiqués No:XI/21 and No:XI/25, if a profit distribution decision is taken in the general assemblies of subsidiaries, joint ventures and associates, which are consolidated under parent financials, the parent can distribute its share of the profits in these companies up to the profit level included in the consolidated financial statements with reference to the profit distribution decision taken in the general assemblies of these subsidiaries, joint ventures and associates.

In addition, based on the CMB Decree 7/242, dated 25 February 2005, if the amount of profit distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit, the entire amount of distributable profit should be distributed. If it exceeds the statutory net distributable profit, the entire amount of the statutory net distributable profit should be distributed. It is stated that dividend distributions should not be made if there is a loss in either the financial statements prepared in accordance with CMB regulations or in the statutory financial statements.

The Company distributed dividends of TRY199.980 from extraordinary reserves and current year tax exemptions income during the year ended at 31 December 2006.

Inflation adjustment to shareholders' equity and extraordinary reserves can either be netted-off against prior years' losses or used in the distribution of bonus shares or in distributions of dividends to shareholders. In accordance with the Communiqué No:XI-25, at 31 December the shareholders' equity schedule is as follows:

	2006	2005
Share capital	399,960	399,960
Inflation adjustment to shareholders' equity	748,984	748,984
Financial assets fair value reserve	330,845	257,486
Translation reserves	15,421	(26,841)
Legal reserves	61,759	31,359
Retained earnings	222,531	383,030
Net income	324,147	259,913
Total shareholders' equity	**2,103,647**	**2,053,891**

Details of the inflation adjustment to shareholders' equity as of 31 December are as follows:

	Nominal value	Restated amounts	Inflation adjustment to shareholders' equity
Share capital	399,960	868,771	468,811
Offsetting difference (*)	-	280,173	280,173
	399,960	**1,148,944**	**748,984**

(*) Inflation adjustment to shareholders' equity amounting to TRY280,173 which is the remaining balance of equity accounts have been zeroed by offsetting as shown in the inflation adjustment to shareholders' equity account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

NOTE 29- FOREIGN CURRENCY POSITION

Assets and liabilities denominated in foreign currency at 31 December are as follows:

	2006	2005
Assets	1,826,950	1,460,510
Liabilities	(2,028,754)	(1,776,357)
Off-balance sheet commitments	98,053	162,490
Net foreign currency position	**(103,751)**	**(153,357)**

TRY equivalents of assets and liabilities denominated in foreign currency at 31 December 2006 are as follows:

	EUR	USD	GBP	Other	Total
Current assets:					
Cash and cash equivalents	133,254	19,736	30,852	28,266	212,108
Trade receivables (net)	567,209	100,764	103,807	111,158	882,938
Due from related parties (net)	9,344	71,991	30,123	384	111,842
Other receivables (net)	-	-	-	-	-
Inventories (net)	170,775	62,670	76,728	111,640	421,813
Other current assets	12,948	6	735	32,339	46,028
Non-current assets:					
Due from related parties (net)	36,144	-	-	-	36,144
Financial assets (net)	-	112,448	-	-	112,448
Deferred tax assets	303	-	309	3,017	3,629
Other non-current assets	-	-	-	-	-
Total assets	**929,977**	**367,615**	**242,554**	**286,804**	**1,826,950**
Current liabilities:					
Short-term bank borrowings	28,431	79,022	-	-	107,453
Current maturities of long-term bank borrowings	177,400	44,784	34,051	250	256,485
Lease payables (net)	-	-	141	20	161
Other financial liabilities (net)	1,843	-	9,798	4,644	16,285
Trade payables (net)	222,346	113,032	1,302	25,117	361,797
Due to related parties (net)	108,167	166,789	28,374	4,206	307,536
Advances received	17	-	-	1	18
Provisions	-	-	1,753	513	2,266
Other current liabilities (net)	96,769	6,852	42,780	15,044	161,445
Non-current liabilities:					
Long-term bank borrowings (net)	365,861	237,078	102,005	49,076	754,020
Lease payables (net)	-	-	41	7	48
Trade payables (net)	36,144	-	-	-	36,144
Provisions	1,342	-	112	544	1,998
Deferred tax liabilities	1,361	-	-	3,375	4,736
Other non-current liabilities (net)	6,228	-	22	12,112	18,362
Total liabilities	**1,045,909**	**647,557**	**220,379**	**114,909**	**2,028,754**
Net balance sheet position	**(115,932)**	**(279,942)**	**22,175**	**171,895**	**(201,804)**
Off-balance sheet derivative instruments	**27,773**	**70,280**	**-**	**-**	**98,053**
Net foreign currency position	**(88,159)**	**(209,662)**	**22,175**	**171,895**	**(103,751)**

The net foreign currency position of the Group as of 31 December 2006 is negative TRY103,751 equivalent to EUR56,036,187.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

TRY equivalents of assets and liabilities denominated in foreign currency at 31 December 2005 are as follows:

	EUR	USD	GBP	Other	Total
Current assets:					
Cash and cash equivalents	129,686	17,332	40,151	16,066	203,235
Trade receivables (net)	369,039	119,244	72,966	81,152	642,401
Due from related parties (net)	168,117	45,099	25,898	788	239,902
Other receivables (net)	-	-	-	-	-
Inventories (net)	131,587	42,606	70,076	48,749	293,018
Other current assets	16,786	365	39	7,973	25,163
Non-current assets:					
Trade receivables (net)	779	-	-	-	779
Financial assets (net)	-	55,802	-	-	55,802
Deferred tax assets	-	-	-	210	210
Other non-current assets	-	-	-	-	-
Total assets	**815,994**	**280,448**	**209,130**	**154,938**	**1,460,510**
Current liabilities:					
Short-term bank borrowings	24,843	133,935	4	-	158,782
Current maturities of long-term bank borrowings	107,180	89,358	13,274	-	209,812
Lease payables (net)	-	-	138	70	208
Other financial liabilities (net)	2,205	-	6,244	811	9,260
Trade payables (net)	188,240	114,194	6,532	10,378	319,344
Due to related parties (net)	128,990	58,087	53,115	19,844	260,036
Advances received	-	-	9	1	10
Provisions	4,185	-	551	158	4,894
Other current liabilities (net)	82,349	7,399	45,203	18,459	153,410
Non-current liabilities:					
Long-term bank borrowings (net)	491,075	80,900	65,984	-	637,959
Lease payables (net)	-	-	126	14	140
Other financial liabilities (net)	-	-	-	4,546	4,546
Provisions	6,563	-	-	116	6,679
Deferred tax liabilities	911	-	256	1,123	2,290
Other non-current liabilities (net)	792	-	-	8,195	8,987
Total liabilities	**1,037,333**	**483,873**	**191,436**	**63,715**	**1,776,357**
Net balance sheet position	**(221,339)**	**(203,425)**	**17,694**	**91,223**	**(315,847)**
Off-balance sheet derivative instruments	**134,774**	**27,716**	**-**	**-**	**162,490**
Net foreign currency position	**(86,565)**	**(175,709)**	**17,694**	**91,223**	**(153,357)**

The net foreign currency position of the Group as of 31 December 2005 is negative TRY153,357 equivalent to EUR82,828,517.

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

NOTE 30 - GOVERNMENT GRANTS

There are investment incentive certificates entitled to the Group by the official authorities in connection with certain major capital expenditures. The rights of the Group 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) Exemption of tax and funds
d) 40% of the research and development expenditures,
e) Inward Processing Permission Certificates (Note 31),
f) Incentive from Tübitak-Teydeb for research and development expenditures.

NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

Provisions

Provisions in the consolidated financial statements are disclosed in Notes 15 and 23.

Commitments and contingent liabilities

a) Derivative financial instruments and embedded derivatives

	Contract amount	Fair Values Assets/ (Liabilities)	
2006			
Forward foreign exchange contracts	160,499	-	(1,749)
	160,499	**-**	**(1,749)**
2005			
Forward foreign exchange contracts	162,490	1,329	(2,387)
	162,490	**1,329**	**(2,387)**

b) Guarantees and commitments given are as follows at 31 December :

	2006	2005
Collateral obtained	1,454,855	1,074,657
Mortgages on property, plant and equipment regarding IFC loans	93,851	80,469
Other guarantees given	60,846	13,137
Standby letters of credit	56,360	59,290
Guarantee letters given to customs for imports	31,424	45,063
Assigned receivables given related to IFC loans	27,850	24,691
Guarantee letters given	11,378	8,630
Forward commitments	7,505	4,280
Operational lease commitments	6,498	8,815
Guarantee letters given to Eximbank for import loans	5,250	25,372
Pledges given	1,742	2,185
Bills of exchange given to suppliers	-	75,913
Other guarantees	2,173	352

c) In connection with the Inward Processing Permission Certificates, the Group has committed to realise export sales amounting to USD1,286,690,953 in 2006 (2005: USD2,649,634,741).

d) The export commitments in the scope of the Investment Incentive Certificates at 31 December 2006 amount to USD1,000 (31 December 2005: USD21,000).

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

NOTE 32 - BUSINESS COMBINATIONS

On 6 October 2006, Arçelik acquired additional shares of Beko Elektronik with a nominal value of TRY87,171, of which TRY57,200 belongs to Koç Holding, TRY21,164 to Beko Ticaret, TRY1,384 to Temel Ticaret ve Yatırım A.Ş. and TRY6,973 to Koç family, for a purchase consideration of TRY190,032 that is determined by considering the arithmetic average of the weighted average of the share prices on the ISE between 3 April and 29 September 2006 and increased its interest in Beko Elektronik's capital from 22.36% to 72.46%.

This acquisition is defined as a business combination involving entities under common control, since the combining entities are ultimately controlled by the same party or parties both before and after the aforementioned business combination. Arçelik has decided to apply an accounting policy in line with "pooling of interest" method in accounting the transaction under common control considering that it would reflect the economic substance of the related transaction reliably and fairly after considering generally accepted accounting principles around the world, since no guidance concerning the accounting of business combinations under common control is included in either IFRS 3 or other standards under IFRS framework. Assets and liabilities subject to business combination are accounted for with the carrying amounts in the consolidated financial statements. In addition, statements of income are consolidated from the beginning of financial year in which the business combination takes place. Similarly, comparative consolidated financial statements are restated retrospectively for comparison purposes. As a result of adopting such an accounting policy, 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 for in shareholders' equity as "effect of transactions under common control". Consequently, retained earnings have decreased by TRY190,032, whereas after the restatement of prior year's financial statements retained earnings have increased by TRY188,020. As a result of this accounting, retained earnings as of 31 December 2006 have decreased by a total amount of TRY2,012.

NOTE 33- SEGMENT REPORTING

The Group's geographical segments are Turkey and Europe. Turkey, where the domestic activities are performed, is the home country of the parent company, Arçelik, which is also the main operating company.

Segment sales	2006	2005
Turkey	3,603,342	3,131,472
Europe	2,972,913	2,857,082
Other	382,428	256,890
	6,958,683	**6,245,444**

Segment assets	2006	2005
Turkey	5,262,999	4,336,185
Europe	889,354	754,846
Other	217,286	46,254
	6,369,639	**5,137,285**

Segment capital expenditure	2006	2005
Turkey	195,622	189,229
Europe	37,857	27,493
Other(*)	92,305	38,695
	325,784	**255,417**

(*) Consists of capital expenditure in Russia.

Segment revenue from external customers by geographical area is reported based on the geographical location of its customers. The total carrying amount of segment assets is reported based on the location of assets.

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

NOTE 34 - SUBSEQUENT EVENTS

None.

NOTE 35 - DISCONTINUED OPERATIONS

The Group has no discontinued operations as at balance sheet dates.

NOTE 36 - OPERATING INCOME

	2006	2005
Domestic sales	3,821,074	3,293,048
Foreign sales	3,671,139	3,375,872
Gross sales	**7,492,213**	**6,668,920**
Less: Discounts	(533,530)	(423,476)
Net sales	**6,958,683**	**6,245,444**

NOTE 37- OPERATING EXPENSES

	2006	2005
Research and development expenses	(76,038)	(65,233)
Selling and marketing expenses	(944,490)	(826,843)
General administrative expenses	(328,735)	(286,286)
Operating expenses	**(1,349,263)**	**(1,178,362)**

ARÇELİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

NOTE 38- OTHER INCOME/EXPENSES

The other income and expenses for the years ended 31 December are as follows:

	2006	2005
Other income		
Income from indemnities and incentives	10,497	7,913
Reversal of provisions	9,838	10,255
Income from sale of investments	5,135	1,879
Licence income	4,223	1,319
Income from sale of property plant and equipment	1,915	1,647
Service income	1,528	2,810
Rent income	1,319	1,440
Other	14,234	10,857
Other income and profit	**48,689**	**38,120**
Other expenses		
Provision for doubtful receivables	(38,094)	(23,660)
Provision for slow moving and obsolete inventories	(27,130)	(28,627)
Provision expenses	(10,502)	(4,975)
Loss from sale of property plant and equipment	(1,279)	(1,226)
Other	(7,930)	(14,813)
Other expenses and losses	**(84,935)**	**(73,301)**

NOTE 39 - FINANCIAL INCOME/EXPENSES

The financial income and expenses for the years ended 31 December are as follows:

	2006	2005
Credit finance income	201,396	139,800
Foreign exchange gains	196,441	151,114
Foreign currency forward income	33,529	1,829
Interest income from bank deposits and loan to banks secured with government bonds and treasury bills	19,395	32,631
Other	1,992	3,014
Financial income	**452,753**	**328,388**
Foreign exchange losses	(228,965)	(142,168)
Interest on borrowings	(189,046)	(92,019)
Credit finance charges	(106,346)	(71,712)
Cash discounts expenses	(24,204)	(18,448)
Foreign currency forward expense	(15,978)	(2,387)
Other	(5,804)	(4,652)
Financial expenses	**(570,343)**	**(331,386)**
Financial income/(expenses), net	**(117,590)**	**(2,998)**

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

NOTE 40 - NET MONETARY POSITION GAIN/LOSSES

On 17 March 2005, the CMB announced that the application of inflation accounting is no longer required for companies operating in Turkey effective from 1 January 2005 (Note 2).

Consequently, inflation accounting was not applied for the period beginning on or after 1 January 2005, therefore there is no gain/loss on net monetary position for the years in 2006 and 2005.

NOTE 41 - TAXES ON INCOME

	2006	2005
Corporation and income taxes	122,543	115,336
Less: prepaid tax	(120,277)	(110,442)
Taxes payable (net)	**2,266**	**4,894**
Deferred tax (assets) / liabilities (net)	(23,771)	8,139
	(21,505)	**13,033**

Turkish tax legislation does not permit a parent company, its subsidiaries, joint ventures and associates to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

Corporate Income Tax Law numbered 5520 was published in the official gazette numbered 26205 dated 21 June 2006 and came into effect immediately. Herewith, Corporate Income Tax Law numbered 5422 has been abolished.

The corporation tax rate of the fiscal year 2006 is 20% (2005: 30%). Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, exempt income and allowances. The annual corporate income tax return is required to be filed in the period between the 1st and 25th days of the fourth month following the close of the related fiscal year. Payments can be made up until the end of the month in which the tax return is to be filed. Provisions for taxes, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis.

Except for the dividends paid to non-resident corporations, which have a representative office in Turkey, or resident corporations, dividends that are paid to non-resident corporations or corporations exempt from taxation in accordance with Income Tax Law article 75 paragraph 2 lines (1),(2),(3) are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

In accordance with tax laws and regulations of each country as of 31 December 2006, tax rates used for calculation of taxes on income are as follows:

Germany	39.62%	Spain	35.00%
Austria	25.00%	Italy	37.25%
Czech Republic	24.00%	Hungary	16.00%
China	33.00%	Poland	19.00%
France	33.33%	Romania	16.00%
The Netherlands	25.50%	Russia	20.00%
The United Kingdom	30.00%	Slovakia	19.00%

The taxes on income for the years ended 31 December are summarised as follows:

	2006	2005
Taxes on income		
- Current	(120,651)	(116,967)
- Deferred	48,866	47,844
Taxes on income	**(71,785)**	**(69,123)**

NOTE 42 - EARNINGS PER SHARE

The earnings per share for each year are as follows:

	2006	2005
Net income	324,147	259,913
Weighted average number of ordinary shares with nominal value of TRY1 each	399,960,000	399,960,000
Earnings per share (TRY)	**0,8104**	**0,6498**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

NOTE 43 - SUPPLEMENTARY CASH FLOW INFORMATION

Consolidated statements of cash flows are presented within the consolidated financial statements (page 5).

"Changes in reserves and provisions" and "changes in operating assets and liabilities" shown in the consolidated statements of cash flows for the years ended 31December are as follows:

	31 December 2006	31 December 2005
Changes in reserves and provisions		
Assembly and transportation provision	24,733	(6,411)
Warranty provision	80,517	274
Provision for employment termination benefits	4,905	3,407
Accrual for bonuses and premiums	132	3,391
Accrual for customer premium	6,813	-
Accrual for sales and marketing expenses	5,289	19,860
	122,389	**20,521**
Changes in operating assets and liabilities		
Trade receivables and due from related parties	(423,560)	(341,857)
Inventories	(319,479)	86,671
Financial assets	(2,209)	(34,961)
Other current assets and liabilities	(198,602)	50,200
Other non-current assets and liabilities	(1,226)	10,801
Trade payables and due to related parties	127,946	74,307
	(817,130)	**(154,839)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

(Amounts expressed in thousands of New Turkish lira ["TRY"] unless otherwise indicated)

NOTE 44 - DISCLOSURE OF OTHER MATTERS

a) Amounts related to Joint Ventures

Aggregate amounts of assets, liabilities and net income before the consolidation adjustments of Joint Ventures on a combined basis which are proportionately consolidated, as described in Note 2.c to these consolidated financial statements, are as follows:

	2006	2005
Current assets	179,519	210,806
Non-current assets	26,522	23,797
Total assets	**206,041**	**234,603**
Current liabilities	150,354	219,679
Non-current liabilities	78,088	5,890
Shareholders' equity	(22,401)	9,034
Total liabilities and shareholders' equity	**206,041**	**234,603**

	2006	2005
Net sales	348,451	351,507
Gross operating profit	52,682	66,399
Net operating profit	(34,003)	(5,186)
Net loss	(32,079)	(4,949)

b) Useful life changes for property, plant and equipment and intangible assets

As discussed in Note 3.7, the Group has reviewed the useful lives of property, plant and equipment and updated some useful lives as of 1 January 2006. Accordingly, the mentioned change related to useful lives has been evaluated as a change in accounting estimates and has been accounted for as affecting the financial statements of the current and future periods. Due to the mentioned change, less depreciation has been accrued amounting to TRY40,577 in the consolidated financial statements for the year ended 31 December 2006 and accordingly, “property plant and equipment” have been positively affected amounting to TRY40,577, “inventory” has been negatively affected amounting to TRY1,236 and “total assets” and “income before tax” have been positively affected amounting to TRY39,341. Due to the effect of the mentioned accounting estimate change on the carrying value of property plant and equipment and inventory held as at the end of the period, ,“deferred tax liability” has increased amounting to TRY7,692 and “tax expense” and “total assets” have been negatively affected to the same amount. The total effect of these changes on “total shareholders' equity” has been realised as positive amounting to TRY31,649.

INTERNATIONAL SYSTEM STANDARDS
COMPLIANCE CERTIFICATES

ISO 9001:2000 TSE

ISO 14001:2004 SGS

ISO 17025:2000 TÜV-Mikes

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

KUVEYT STD.-Kuwait

SASO-Saudi Arabia

ISCIR, ICPE-Romania

CCIB-China

KETI-South Korea

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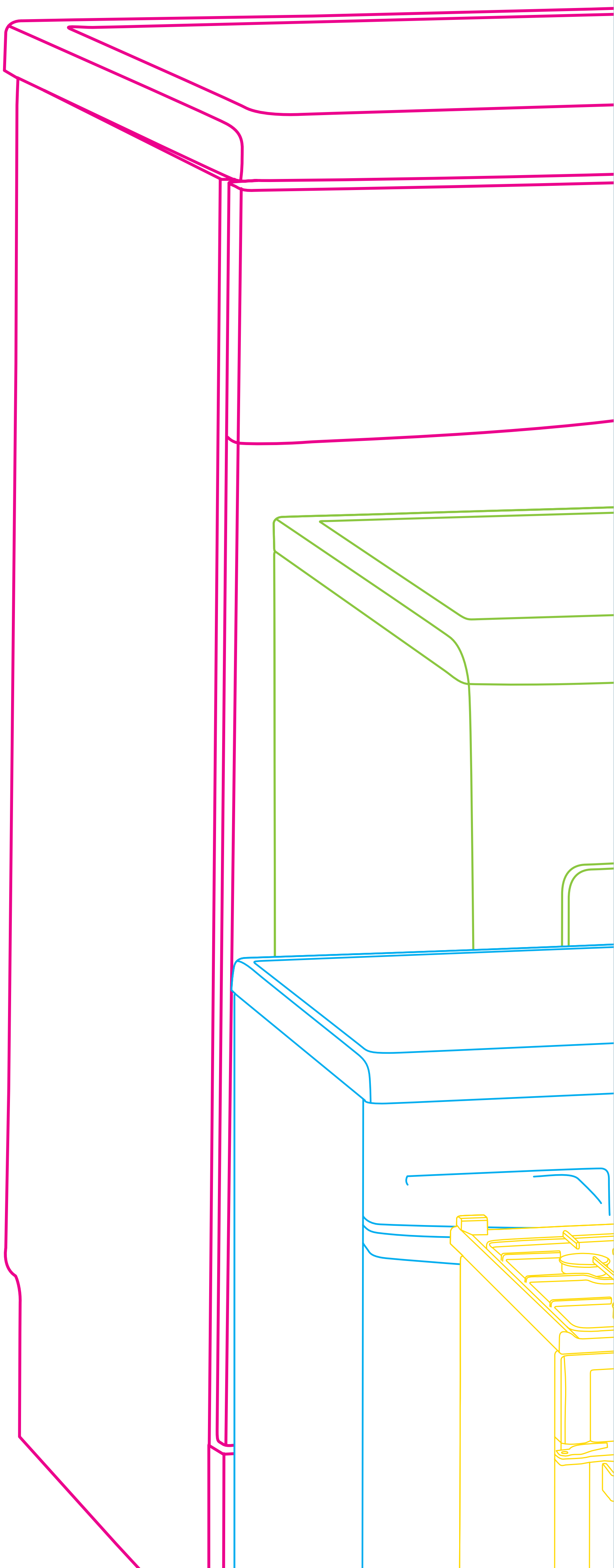

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