

ANNUAL  
REPORT

07

 *arçelik*

Our most important asset is our people.

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

Vehbi Koç



8 kg A+A

Sıkma

Zaman  
Geciktirme



Sıcaklık

Başla/Bekle

İptal  
3 sn.



Ön Yıkama Hızlı Yıkama İlave Su Kıvrık Azaltma

Seriletilik Pamuklu Yorgan Hijyen  
Spor Gömlek Namlı Yünlü Eide Yıkama Durulama Sıkma+Pompa  
Mikil 40 Ekspres 14 Ekspres Moda Pamuklu Eko



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# Milestones

## 1955-1999

- 1955 Arçelik commences operations in Sütluçe.
- 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 Tiroia. 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 of 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 50<sup>th</sup> anniversary.
- Arçelik lays the foundation 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.

## 2006

The Romania Arctic Cooling Plant receives a Total Productive Maintenance (TPM) Excellence Award.

The Eskisehir Refrigerator Plant receives TPM Continuous Excellence Award.

Arçelik A.Ş. breaks new ground by exporting washing machines and dishwashers from Turkey to China. In accordance with its strategy to grow in international markets via its branded products, the Company continues to introduce its "Exclusive Beko Shop System" to foreign markets.

193 inventors who designed innovative products for the Company receive awards at the 8<sup>th</sup> annual "Invention Day"

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

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

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

The Company launches production of its "Express 58 minute, 65°C", the quickest-programmed dishwasher, which simultaneously saves time and provides state-of-the-art washing performance.

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

The Company produces the world's quickest washing machine, which is able to wash loads of up to seven kilos of lightly-soiled laundry in only 30 minutes.

Along with its global brand Beko, Arçelik A.Ş. becomes the main sponsor of the Turkish Men's Basketball League.

By increasing its stake from 22.36% to 72.46%, Arçelik becomes the largest shareholder in Beko Elektronik A.Ş.

After laying the foundation in June of 2005, the Company begins operations at its refrigerator and washing machine production facility in Russia.

Arçelik A.Ş. sponsors the world-renowned "The Genius of Leonardo" exhibition at the Rahmi M. Koç Museum in Istanbul.

Following in the steps of its popular Turkish Coffee Machine "Telve", which received the "iF Design Award", Arçelik A.Ş. launches the innovative "Mini Telve", the home version of the same product.



arçelik





# Almanac 2007

## January

**Arçelik A.Ş. is continuously improving its brand-awareness and sales volume in Poland via its global brand Beko.**

As the third largest producer of household appliances in Europe, the Company is aiming to increase its market share in Poland by 10% in 2007.

**Beko LLC in Russia receives the ISO 9001:2000 Quality Administrative System Certificate.**

After beginning its mass production in June of 2006, Beko LLC was recognized for its efficiency by SGS according to the ISO 9001:2000 Quality Standards certification.

## February

**"The Genius of Leonardo" exhibition, sponsored by Arçelik A.Ş., opens in Ankara.**

Hugely popular during its two-month stint in Istanbul, "The Genius of Leonardo" was now being received to wide popular acclaim in the nation's capital.

**Arçelik A.Ş. becomes "The Most Recalled Brand" in Turkey.**

According to the 13<sup>th</sup> annual Global Nielsen Brands Report, Arçelik garnered the title of "The Most Recalled Brand" in Turkey over the past ten years.

**Beko receives "The Most Trusted Brand" award in Poland.**

In the annual Reader's Digest Trusted Brands research, one of the largest and widest-ranging consumer surveys undertaken in Europe, the popular magazine confirmed that Beko brand had once again proven its remarkable success in Poland.

**"Active Fresh Blue Light" is launched by Arçelik A.Ş.**

As the leading company of the Koç Group, as well as the largest white goods manufacturer in Turkey, Arçelik A.Ş. launched its side-by-side refrigerator featuring Active Fresh Blue Technology at its Eskişehir plant, the world's largest refrigerator-producing factory under one roof.

## March

**Arçelik A.Ş.'s endeavors abroad continue.**

While Arçelik A.Ş. has increased daily the number of authorized dealers in the global market with half a century of experience; there were further new additions to the "Beko exclusive shops" chain. Arçelik opened its first store in Bosnia-Herzegovina.

**Regional primary boarding school students visit "The Genius of Leonardo" exhibition in Ankara.**

Under the auspices of Arçelik A.Ş., and in keeping with the Company's "Standing United for Education with Arçelik" social responsibility programme, students from all the regional primary boarding schools in the suburbs of Ankara were given the opportunity of visiting "The Genius of Leonardo" exhibition held at Middle East Technical University in Ankara.

## April

**Arçelik A.Ş., the "Patent Champion of Turkey", captures the attention of participants at the world's largest industrial fair in Germany.**

On 16-20 April in Hannover-Messe, Arçelik A.Ş. conspicuously caught the eyes of experts through its "R&D and Technology" exhibit at the largest event of its kind in the world, in which Turkey participated as a partner country.

**The Leader of Innovation in Turkey.**

Arçelik A.Ş. was awarded first prize in the the research among "Innovation Leaders of Turkey", sponsored by Capital Business Magazine in partnership with IBM.





May

### A cooperation between giant brands: Vodafone services become available at Arçelik and Beko authorized dealers.

Vodafone Telekomünikasyon A.Ş., the world leader in mobile telecommunications, and Arçelik A.Ş., Turkey's leader in durable consumer goods, broke new ground with their partnership to provide more value to their customers. The new agreement signed between the two companies enables Vodafone's postpaid accounts and virtual prepaid lines to be made available via Arçelik and Beko authorized dealers.



### Arçelik A.Ş. recognizes its successful engineers on its 9<sup>th</sup> Annual "Invention Day".

On the occasion of its own 9<sup>th</sup> Annual "Invention Day", Arçelik rewarded 192 of its successful engineers for designing and producing innovative new technologies and products.



June

### Beko's innovative design termed the "World's Quickest Washing Machine" comes home from Germany with the prestigious "Plus X" award.

At the 2007 Plus X award ceremony, considered the most prestigious technology competition in Europe, Beko's famous "World's Quickest Washing Machine" won the top prize in the "Ecology" category.

### Thanks in part to the launch of its induction hobs Arçelik A.Ş. consolidates its leadership in the domestic built-in market.

Arçelik A.Ş., Turkey's leader in innovation, launched its induction hobs into the domestic market.



### Arçelik A.Ş. employees join forces with the Turkish Maritime Environment Protection Agency (Turmepe) to increase environmental consciousness.

Under the context of the "For My Country" project which is held in the last week of May every year to carry out social responsibility activities, employees of Arçelik A.Ş., believing that the environment can only be saved through combined action, organized a consciousness effort together with Turkish Maritime Environment Protection/TURMEPA.



July

### Arçelik A.Ş. wins six awards in the "Stars of Exporters" competition sponsored by the Istanbul Mineral and Metals Exporters' Association (IMMIB).

Among more than 23,000 member companies, the IMMIB selected Arçelik A.Ş. as the third largest exporting company in Turkey. IMMIB bestowed six awards on Arçelik, making it the most decorated company in the competition.

### Arçelik A.Ş. aims to strengthen its position in the American dishwasher market.

Arçelik A.Ş. is targeting to strengthen its position in American market with "Tall Tub" dishwasher, which was recently added to its product range, with its differentiating size from the European standard dishwasher models.

### Arçelik A.Ş. decides to invest in China.

After closely following developments in China, one of the fastest growing economies in the world in recent years, Arçelik A.Ş. decided to invest in this market in parallel to its growth strategy with its brands in international markets.



## August

### Arçelik A.Ş. unveils the world's fastest computers through its Grand Prix series.

Led by the famous Polish F1 racecar pilot Robert Kubica, Arçelik A.Ş. introduced its new "Grand Prix" series of computers, with a desktop featuring Intel Quad-Core processor technology and a laptop with new Intel Centrino processor technology.

### Arçelik A.Ş. increases its number of exclusive Beko shops in China.

Arçelik A.Ş., which has been operating in China since 2000, decided to speed up its initiatives in this market by increasing the number of sales points in that country to 89. This decision was punctuated by the opening of its 12<sup>th</sup> "Beko Exclusive Shop" in Guangzhou, capital city of the Canton province.



## September

### Arçelik Call Center wins first prize in "Best Technology Usage" category.

Arçelik Call Center wins first prize in "Best Technology Usage" category in the 2<sup>nd</sup> Istanbul Call Center Awards Ceremony at the "3<sup>rd</sup> Istanbul Call Center Conference & Fair" held by IMI Conferences.

### Blomberg washing machines receive high grades for their quality and performance.

In an evaluation of 11 leading international washing machine brands, the September issue of Stiftung Warentest, a German consumer magazine, awarded Arçelik's Blomberg branded washing machine the high grade of "Good" for its power and water consumption, as well as its overall efficiency, technology, performance and quality design.



## October

### Arçelik introduces its "Tech-Touch" dishwasher, the ultimate technology.

Breaking new ground in the white goods industry, Arçelik A.Ş. launched its state-of-the-art "Tech-Touch" dishwasher, allowing the consumer to simply put all the dishes, glassware and cutlery into the machine and press a single button. By technologically measuring the weight and soil level of the dishes, the "Tech-Touch" dishwasher automatically chooses the appropriate detergent and water amounts, thereby maximizing water and power usage with a single touch.

### Arçelik A.Ş. forms a strategic partnership with New Zealand's Fisher & Paykel Appliances Holding Ltd.

In order to benefit from the complementary nature of the markets which the two home appliance giants dominate, Arçelik A.Ş. and Fisher & Paykel home appliances manufacturers formed a strategic partnership aiming towards mutual sourcing with their wide range of products and distribution network.

### Arçelik A.Ş., Turkey's patent champion, sponsors the "EU 7<sup>th</sup> Framework Programme Turkey Forum 4."

Arçelik A.Ş. sponsored the "EU 7<sup>th</sup> Framework Programme Turkey Forum 4" in Ankara, organized in cooperation with The Scientific and Technological Research Council of Turkey (TUBITAK), Turkey's Foreign Economic Relations Board (DEİK) and the Turkish Research and Business Organizations (TURBO).

### Arçelik A.Ş. launches its Blomberg brand in the Italian market.

Arçelik A.Ş. presented the Italian consumers with its premium brand - Blomberg - combining technology with innovative design.



## November

### **Arçelik A.Ş. supports TEMA foundation's "Do not waste your water" campaign.**

In 2007, with the support of Arçelik A.Ş., TEMA (The Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats) launched its "Do not waste your water" campaign to educate and encourage people as to the importance of their personal role in economizing water usage.

### **Arçelik A.Ş. sponsors the second annual "Innovation Conference" organized by the Turkish Exporters Assembly (TIM).**

In the second annual "Innovation Conference" organized by the Turkish Exporters Assembly (TIM), Arçelik A.Ş. became "The Partner of Opinion and Concept".

### **Popular French consumer magazine Que Choisir gives "Best Product" Award to Beko for its new dishwasher.**

The November issue of the renowned French consumer magazine Que Choisir selected the Beko "DFN 6831 S" dishwasher as the "Best Product" due to its excellent price-performance ratio. In tests carried out among eleven of the world's leading dishwasher brands, Beko's design ranked second overall.

### **Arçelik A.Ş., the Koç Group's leading company, receives the prominent "Most Competitive Corporation" award for its success in China.**

According to studies conducted in foreign countries by the United Nations Industrial Development Organization (UNIDO), Koç Group won the coveted "Most Competitive Corporation" award for the durable consumer sector in China, with its leading durable goods company Arçelik A.Ş.



## December

### **Arçelik conquers China.**

As the Koç Group's leading company in the household appliances sector, Arçelik A.Ş. confirmed its philosophy of garnering success in global markets through its own branded goods by establishing its manufacturing facilities in China, one of the world's most rapidly growing economies, where the Company has been active since 2000.

### **Arçelik A.Ş. commences the process of acquiring Grundig Multimedia BV by purchasing 50% of Alba's shares.**

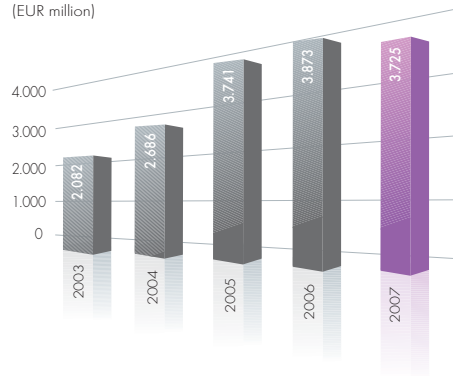
In line with its international growth strategies in the consumer electronics sector, Beko Elektronik A.Ş. acquired Grundig, one of the best known and most established brands in Europe. Following a joint takeover of Grundig in 2004 with the English Alba Plc, in December of 2007 Beko Elektronik started the process of purchasing all of Alba's 50% stake in the Grundig, thereby making it the sole owner of the company and brand.



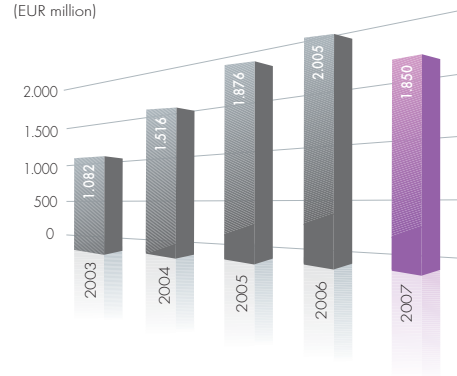
# Financial ratios

Strong financial results.

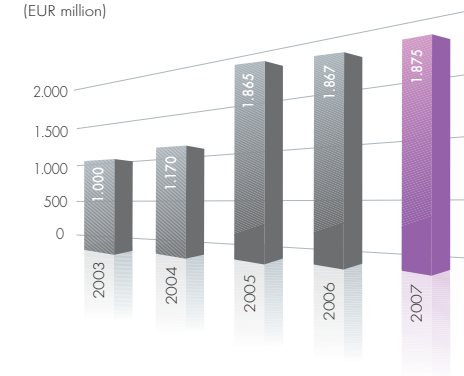
Net sales  
(EUR million)



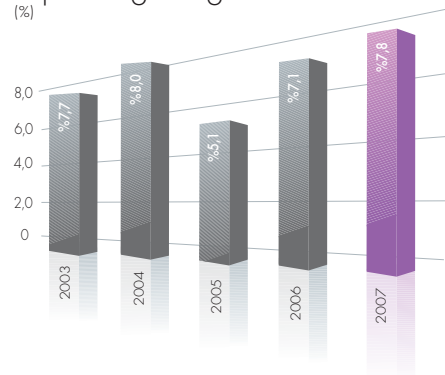
Net sales-domestic  
(EUR million)



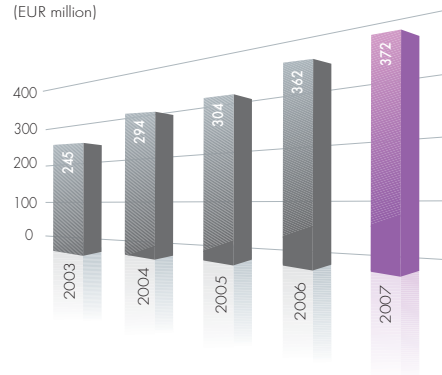
Net sales-international  
(EUR million)



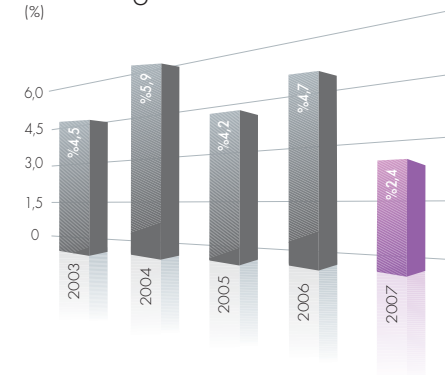
Operating margin  
(%)



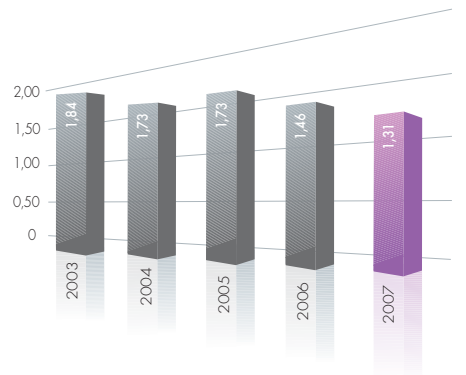
Ebitda  
(EUR million)



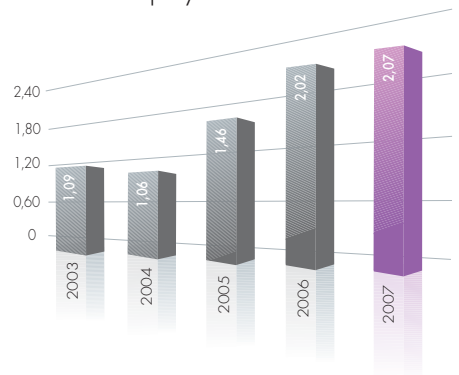
Net margin  
(%)



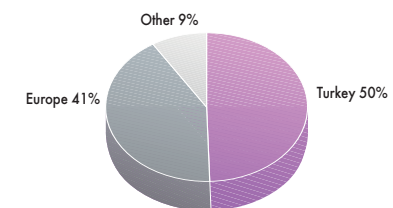
Current ratio



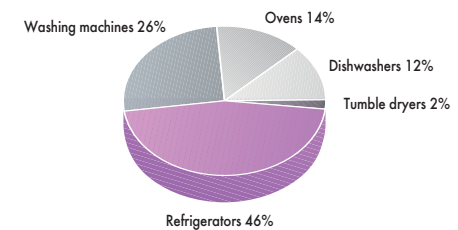
Debt-to-equity ratio



Total consolidated net sales by region



Total consolidated net sales of white goods by product





# Arçelik A.Ş. global network

## Head Office

Turkey/Istanbul      Headquarters

## International 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.
Holland	Grundig Multimedia B.V.*

## International production and marketing

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

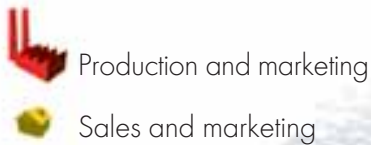
## International production

China	Beko Electrical Appliances Co. Ltd.
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## Production plants in Turkey

Eskişehir	Refrigerator Plant
Tuzla, Istanbul	Washing Machine Plant
Bolu	Cooking Appliances Plant
Ankara	Dishwasher Plant
Tekirdağ , Çerkezköy	Electric Motors Plant
Eskişehir	Compressor Plant
Tekirdağ, Çerkezköy	Tumble Dryer Plant
Istanbul, Beylikdüzü	Beko Elektronik A.Ş.

\* Grundig Multimedia B.V. operates in 17 countries.





# Five-year consolidated financial review

(EUR million)

	2007	2006	2005	2004	2003
1. Net Sales - Total	3,725	3,873	3,741	2,686	2,082
2. Net Sales - International	1,875	1,867	1,865	1,170	1,000
3. Gross Profit	996	1,026	896	672	542
4. Income from Operations	291	275	190	214	161
5. Income before Taxes and Minority Interest	112	202	179	228	134
6. Net Income	89	180	156	159	95
7. EBIT	291	275	190	214	161
8. EBITDA	372	362	304	294	245
9. Total Current Assets	2,420	2,272	2,181	1,372	1,110
10. Total Current Liabilities	1,846	1,555	1,261	791	605
11. Working Capital	574	718	919	581	505
12. Property, Plant and Equipment - Net	706	602	586	352	342
13. Total Assets	3,816	3,445	3,236	1,908	1,606
14. Total Liabilities	2,562	2,291	1,891	976	830
15. Minority Interest	17	18	51	12	11
16. Shareholders' Equity	1,238	1,136	1,294	919	764
17. Net Cash Provided by Operating Activities	68	(85)	194	108	202
18. Net Cash Used in Investment Activities	(176)	(260)	233	(120)	(64)
19. Cash Inflow before Financial Expenses	(108)	(345)	427	(12)	138
20. Dividends Paid	114	113	146	1	47
21. Cash and Cash Equivalents at the End of the Year	177	156	185	155	189
22. Capital Expenditures	179	181	153	105	78
23. Depreciation and Amortization	81	87	113	80	84
24. Year-end Number of Employees	16,722	15,774	14,986	10,841	9,725
Hourly	13,718	12,941	12,154	8,437	7,185
Salaried	3,004	2,833	2,832	2,404	2,540
25. Year-end Market Capitalization - (ISE)	1,897	1,788	2,647	1,803	1,788

Except for 2007, 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).

2007, 2006 and 2005 figures are based on full consolidation with the Beko Elektronik Group. Figures for 2004 and preceding years are Arcelik figures only, and do not include Beko Elektronik Group's figures.



# Shareholders and dividends paid

Shareholders	Paid-in capital (TRY thousand)	Share (%)
Koç Holding A.Ş.	156.546	39,1
Koç Group Other	68.912	17,2
<b>Koç Group Total</b>	<b>225,458</b>	<b>56,3</b>
Teknosan Büro Makina ve Levazımı Tic. ve San. A.Ş.	58.709	14,7
Burla Ticaret ve Yatırım A.Ş.	30.649	7,7
Other Shareholders	85.144	21,3
<b>TOTAL</b>	<b>399.960</b>	<b>100,0</b>

## Dividends paid

Dividends distributed out of the 2002, 2003, 2004, 2005 and 2006 profits and their ratio to paid-in capital of the related years are as follows:

Year	Dividend Distributed (TRY thousand)	Paid-in capital (TRY thousand)	Dividend ratio (%)
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
2006	199.980	399.960	50,0



# Report of the Board of Directors and Message from the Chairman

Distinguished members of the Arçelik family,  
Dear shareholders,

The year 2007 was a period of important economic and political events in the world as well as in Turkey. As we enter 2008 more hopeful than the previous year, I think it is beneficial to evaluate the developments of the past year on both domestic and international levels.

The global markets endured a difficult period last year with the effect of the real estate crisis in the United States. The losses incurred by major financial institutions, which invested in problematic mortgage bonds and the unpaid mortgage credits have negatively affected the faith of people in the U.S. economy. Additionally, the realization that the crisis in the financial sector will affect the real economy created sharp falls in financial markets around the world. The Federal Reserve made two interest reductions in the past year to soothe the panic aroused by the problematic mortgage credits during the summer. The FED ended the year with an interest rate of 4.25% while the year-end interest rate of the European Central Bank was 4%.

Additionally, financial markets experienced a cash shortage. Unemployment rates increased, as did exports and budget deficits. The value of the U.S. dollar decreased, primarily because some key countries have made the decision to begin using the Euro in order to save money.

On the other hand, the increase in oil prices continued in 2007. In particular, worries about a possible oil shortage, the market in the Middle East, the problems in the refineries, the decrease of dollar's value and speculative transactions have caused the price of oil to rise from US\$ 20 in 2001 to more than US\$ 100, a level which is continuing to increase. While there are no signs that the high oil prices will decrease in the future, there are forecasts that price increases will cause high inflation rates.

Under these circumstances, the global economic growth in 2007 is expected to be around 5.2%, a level that is expected to decrease to 4.8% in 2008. The Chinese economy is anticipated to grow at a rate higher than 10% while the growth of the OECD countries is expected to slow down. The developing countries such as China and India are expected to grow at a fast rate. Hence, in 2008, the contribution of the developing countries to the global economic growth is expected to be more than the developed countries, something that has never happened before.

Meanwhile, the situation in Turkey was marked by a number of significant political and economic events in 2007. Despite all the difficulties and stress

surrounding the 2007 general elections, Turkey managed to live through the year 2007 without any major damages. However, the fact that the crisis in the U.S. began to affect Europe and Turkey at the end of the year signals that 2008 will be a difficult year. Turkey must attempt to stay ahead of developments in the global markets because the competition for foreign investments in developing countries such as Turkey will increase as a result of declining growth rates in the U.S., Europe and Japan, plus the shrinkage in credits. In such critical circumstances, Turkey needs to employ carefully thought out political and economic plans because of its need for investments, employment and high growth rates.

According to the latest national income calculations, the growth rate for Turkey during the first nine months of 2007 stood at 5%. This rate is expected to remain around the 4-5% level in 2008. While the goal of 4% inflation was not met, the inflation rate remained in one digit figures with a 5.94% increase in producer prices and an 8.39% in consumer prices.

The deficit in current accounts continued to be a source of concern in 2007. The economic reforms will be successful if the government makes this problem its priority and improves foreign trade policies, job markets, productivity and the investment environment.

Independent of the fluctuations in the world, the internal dynamics of Turkey's economy are already giving warning signs in 2008. Last year, it became evident that we have difficulties keeping the inflation rate down as our growth rate increases. Additionally, in 2008 the government must address a number of key issues, a few among them being the increase in the current account and foreign trade deficits, the decrease in added value despite the increase in exports, the high unemployment rate, the new developments in the Middle East, the fierce competition from Southeast Asian nations, the new tax reform, the relationship with the European Union and the political situation with our energy importing countries.

Since we are integrating with the world around us more and more every day, it is imperative that we take precautions concerning not only our own internal problems but those outside our country as well. In this regard, we need to follow the political and economic events of 2008 very closely and be prepared, on a daily basis, to change directions when the need arises.

## Arçelik's phenomenal success was rewarded by leading international organizations.

When we evaluate the year 2007 for the Koç Group, we note that the continued economic stability led to healthy conditions for our investments. As the leader of the durable consumer goods sector, one of our focal points for business within the Koç Group, Arçelik has been the most successful implementer of our growth strategy.

In 2007 in particular, Arçelik evaluated the investment opportunities in Turkey and abroad in a remarkable way.

Last year, our Company established a strategic alliance with New Zealand's Fisher & Paykel Appliances Holding Ltd. in order to form a strategic alliance that will enable us to exploit the unique opportunities in different markets due to our wide range of products and technical know-how, as well as our extensive distribution networks.

Moreover, since Arçelik has been following the market dynamics in China and operating there for a long time, we began production of washing machines in the country on December 3, 2007.

Arçelik, which has always been ahead of the competition with correct and timely projections, saw the potential in the tumble dryers sector and decided to invest in this arena in 2006. Thus, Arçelik's tumble dryer plant in Çerkezköy began operation at the beginning of 2008.

Arçelik ended 2007 successfully thanks to these significant developments and our Company and its products received several important rewards from leading international institutions. We as the Koç Group are extremely proud of the phenomenal success of Arçelik A.Ş. in 2007.





I have no doubt whatsoever that we will continually take the "Koç" name to even higher heights with your support and trust.

The Company ended 2007 with a consolidated gross revenue of TRY 6.6 billion. Of these, we increased the percentage of international sales to 50% of the total sales, amounting to TRY 3.3 billion. Our net operational profit for the year came to TRY 517 million and net profit stood at TRY 158 million. All of these important markers have enabled us to take significant steps towards becoming a global player in the market.

With its eight production plants in Turkey and four abroad, today Arçelik is serving every home in Turkey and approximately 280 million people in more than 100 countries.

Last, but certainly not least, I would like to express my deepest gratitude all the members of our Arçelik family, our partners, our authorized dealers, our suppliers, our valuable shareholders, my co-workers and all the consumers who have been purchasing our products for many years for putting their trust in us and providing such a high level of support for the Company, enabling us to reach our current high performance level. With your continued help I believe Arçelik will meet its goals for 2008 and take stronger steps towards profitable and rapid growth.

I have no doubt whatsoever that we will continually take the "Koç" name to even higher heights with your support and trust.

I trust that 2008 will be a good year for you, your families and our country and I salute you with respect.

**RAHMI M. KOÇ**  
CHAIRMAN  
ARÇELİK A.Ş.

# Board of Directors 2007

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

Mert Ş. Bayram  
Serkan Özyurt

The members of the Board of Directors and Board of Auditors were elected at the Ordinary General Meeting held on April 3, 2007.

\*F. Bülend Özaydınlı and Temel K. Atay were also members of the Audit Assembly.

\*\* Robert Sonman was appointed to the Audit Assembly on November 7, 2007, following the resignation F. Bülend Özaydınlı from the Board of Directors. Mr. Özaydınlı resigned voluntarily on October 18, 2007.



# Message from the General Manager

Esteemed shareholders and business partners,

We significantly strengthened our leadership position in Turkey and improved our share in global markets, through our strategic investments and acquisitions in 2007.

Thanks to Arçelik's continued stable growth in 2007, despite it being a difficult year for all sectors, our Company today is the world's sixth, and Europe's third, largest household appliances producer.

In evaluating the overall performance of the global household appliances sector in 2007, we note that the market size amounted to US\$ 143 billion and approximately 400 million units of white goods products were sold around the world. Turkey held a strong position in this global market with US\$ 2.2 billion in revenue and 5.2 million units of white goods sold. The white goods sector in Western Europe continued its strong growth with replacements while the market in Eastern Europe is developing with first buys.

Additionally, the increase in commodity prices affecting all markets also caused supply prices in the white good sector to increase, thereby adversely having an impact on the market.

The main reason for the shrinkage in the local market in 2007 was primarily due to the long and stressful general election in Turkey. The election process, which took place earlier than planned and stayed on Turkey's agenda longer than necessary, affected the markets negatively and led to significant losses in the first half of the year.

Additionally, the adverse effects of the loss in revenues in agriculture because of the drought and fluctuations in the real estate market around the world delayed purchases.

Arçelik A.Ş. strengthened and maintained its leadership in the sector in 2007 with its Arçelik, Beko and Altus brands. Moreover, during the year our Company reinforced its exclusive dealership network, one of the main elements of our top leadership position, both in Turkey and abroad. We added China and Bosnia and Herzegovina to our list of more than 300 "Beko Exclusive Shops", where only Beko products are sold, which now covers a large geographical swath from Serbia to Mongolia and Ukraine to Lebanon. Our goal is to increase the number of these exclusive stores to 500 by the year 2010.

In 2007, we increased our production by 4.6% over the previous year and manufactured a total of 10.2 million units of white goods products. Our consolidated international sales quantity of white goods reached 7.4 million last year, up 13.7% over 2006 figures.

Our production goal for 2008 is 11 million units of white goods and we are aiming for an overall growth rate of 20% for Arçelik A.Ş. in 2008, with a target of 14% increase in Turkey and 25% overseas.

One of Arçelik's most important developments in 2007 was its becoming a producer in the Chinese market where it has operated since 2000. After setting up production facilities in Turkey, Romania and Russia, the addition of China to our production portfolio is a key element in terms of the accomplishment of our strategic goals.

Following the acquisition of washing machine production plant in China's Changzhou region in July 2007, the facility was inaugurated on December 3, 2007, we are targeting to bring the factory to an annual capacity of 200,000 units in the first phase of operations. Arçelik A.Ş., the first Turkish company to invest in China in its sector, is aiming to exploit the potential of this market, which is the world's fastest growing economy. In this regard, the key factors are China's huge market size, its strong prospective for growth, the low penetration rate and the logistic advantage over distant locations.

Another strategic step in 2007 in line with our growth strategy in global markets was the strategic partnership we formed with Fisher & Paykel Appliances Holding Ltd. of New Zealand. We will benefit from integrating the European, Middle Eastern, CIS and Turkish markets where we are especially effective with markets in which Fisher & Paykel are effective. Simultaneously, the complementary product lines of the two companies and the prospect of our technological cooperation are important opportunities. With this partnership we aim to have a wider global distribution network.

By increasing its shares to 72.46% in 2006, Arçelik A.Ş. has become Beko Elektronik A.Ş.'s controlling shareholder. In durable consumer goods sector, it is foreseen that companies, which have product lines in both consumer electronics and white goods will have a significant competitive advantage in the future.



Arçelik A.Ş., as the perennial leader of patents and ultimate high-tech products, added a number of new innovations in 2007 with its strategic investments in technology.

Following our Company's breakthrough in producing Turkey's first tumble dryer in 2005, we began construction on a new production facility in Çerkezköy, Tekirdağ to meet our customers' increasing demands, as well as to maximize the market potential in this segment. As a consequence of this EUR 26 million investment, we have increased our production capacity for tumble dryers to 400,000 per annum.

After initial exports of dishwashers to the U.S., home of one third of the world's machines of this category, Arçelik began mass production of the innovative "Tall Tub" dishwasher with its differentiating size from the European standard dishwasher models especially designed for the American market. With the addition of the "Tall Tub" model to our ever-increasing product line, I believe our Company will substantially increase its success in the U.S. market by increasing our channels, especially in the retail sector.

With a commitment to producing our own technology, Arçelik A.Ş. accomplished another pioneering milestone by producing the first side-by-side refrigerator at our Eskişehir plant, Europe's largest single-campus production facility.

In the continent's biggest side-by-side refrigerator production facility, Arçelik's Turkish engineers created a special "Active Fresh Blue Light" technology designed to keep vegetables and fruits fresh for a longer time, a product that was introduced to the market in the first months of 2007.

By winning numerous awards for innovative creations, Arçelik A.Ş. sustained its unrivaled position as Turkey's leader of technological "firsts" in 2007. This further solidified the success the Company has gained over the past three years, earning it the title of "Patent Champion of Turkey". During this period, Arçelik A.Ş. made 45% of patent application to the World's Intellectual Property Rights Committee with 13% of the patents produced in our country. Our company with more than 300 patents produced by its own technology without using any license and with around 40 international rewards continued to be a "Patent Champion" with its number of 192 applications in the second championship organized by the Turkish Patent Institute, in 2007.





We will continue with our growth in 2008 and combine our know-how and expertise with future opportunities to accomplish our vision.

Our Company's rich history bears witness to a consistent vision and a correct strategy leading towards success. We have defined our vision as "To become one of the top 10 most preferred brands for our sector in the world by 2010 through the Beko brand". In order to accomplish this vision, we are aiming for an average annual growth rate of 12%, with EUR 6 billion in consolidated revenue and a 2% market share. I firmly believe we will reach this goal before 2010, particularly due to our successful acquisitions and investments abroad.

Also noteworthy for 2007 is the fact that Arçelik A.Ş. continued its contributions not only on the economic front, but in the social development of Turkey as well. We are working towards not only becoming a model for our sector, but in the overall Turkish economy. In this regard, our Company invested heavily in a number of successful projects in the areas of the environment, sports, culture and the arts and, in particular, education. We look forward to continuing these activities in 2008 and beyond.

Despite all the difficulties and challenges in all sectors in 2007, we are proud of our continued success in 2007. We will continue with our growth in 2008 and combine our know-how and expertise with future opportunities to accomplish our vision.

I close with a special word of deep appreciation to all our shareholders, business partners and the entire Arçelik A.Ş. family, all of whom have made a vital contribution to our 2007 success. I wish you all a 2008 filled with new accomplishments to add to our history that is already rich in achievements.

Yours sincerely,

**A. GÜNDÜZ ÖZDEMİR**

PRESIDENT, KOÇ HOLDİNG A.Ş. DURABLE GOODS GROUP  
GENERAL MANAGER, ARÇELİK A.Ş.





# Management 2007



The key to our success is to never lose our team spirit.

### 1 Aka Gündüz Özdemir

President-Koç Holding A.Ş. Durable Goods Group, General Manager-Arçelik A.Ş.

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

### 2 Atilla İlbaş

Assistant General Manager - Production and Technology

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

### 3 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 A.Ş. since 2005 as the Assistant General Manager in charge of Finance and Accounting.

### 4 Fredrik Ulf Janson

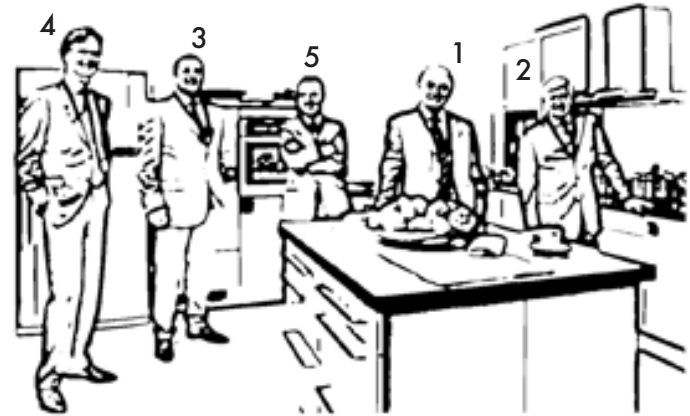
Assistant General Manager - International Marketing and Sales

Mr. Janson began his career in 1987 as a Brand Assistant for Scandinavia at Procter & Gamble. Since June of 2007 he has been serving as the Assistant General Manager in charge of International Marketing and Sales for Arçelik A.Ş.

### 5 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 A.Ş. since 2003 as the Assistant General Manager in charge of Marketing and Sales for Turkey.





# Management 2007 (as of December 31, 2007)

<b>Aka Gündüz Özdemir</b>	President - Koç Holding A.Ş. Durable Goods Group, General Manager - Arçelik A.Ş.
<b>Atilla İlbaş</b>	Assistant General Manager - Production and Technology
<b>Dr. Fatih Kemal Ebiclioğlu</b>	Assistant General Manager - Finance and Accounting
<b>Fredrik Ulf Janson</b>	Assistant General Manager - International Marketing and Sales
<b>Şirzat Subaşı</b>	Assistant General Manager - Turkey Marketing and Sales
<b>Ahmet İhsan Ceylan</b>	Information Technologies Director
<b>Ahmet Sakızlı</b>	Product Planning and Coordination Director
<b>Ali Tayyar</b>	Accounting Director - Headquarters/Plants
<b>Cemal Can Dinçer</b>	International Sales Director - Non-European Markets
<b>Dr. Cemil İnan</b>	Research and Development Director
<b>Ercüment Gülşen</b>	Beko Sales Director
<b>Ferhat Erçetin</b>	Purchasing Director
<b>Hakan Turan</b>	Product Director - Electric Motors
<b>Hilmi Cem Akant</b>	International Sales Director - Europe and Business Development
<b>İhsan Somay</b>	Accounting Director - Sales and Marketing
<b>İsmail Hakkı Sağır</b>	Product Director - Refrigerators
<b>Koral Boro</b>	Arçelik Sales Director
<b>Mehmet Savaş</b>	Product Director - Cooking Appliances
<b>Murad Şahin</b>	Marketing Director
<b>Mustafa Türkay Tatar</b>	Finance Director
<b>Salih Arslantaş</b>	Product Director - Dishwashers
<b>Serdar Sözeri</b>	Consumer Services and Logistics Director
<b>Sibel Kesler</b>	Budget, Reporting and Analysis Director
<b>Şemsettin Eksert</b>	Product Director - Washing Machines
<b>Şerife Füsün Ömür</b>	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 A.Ş. 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 for Headquarters and Plants since 2000.

**Cemal Can Dinçer**

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

**Dr. Cemil İnan**

Dr. İnan began his career in 1987 as a Research Assistant at Dokuz Eylül University. Since 2006, he has been serving as Arçelik A.Ş.'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 2006, he has been working as Beko Sales Director.

**Ferhat Erçetin**

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

**Hakan Turan**

Starting his career in 1991 as the Arçelik A.Ş. Washing Machine Plant Project Engineer, Mr. Turan was appointed the Product Director for Electric Motors in 2007.

**Hilmi Cem Akant**

Mr. Akant began his career in 1987 as a Project Manager at Tioxide (France) and has been working at Arçelik A.Ş. since 2005 as the International Sales Director for 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 for Sales and Marketing at Arçelik A.Ş.

**İsmail Hakkı Sağır**

Mr. Sağır joined Arçelik A.Ş. in 1980 as a Project Engineer and has been serving since 2002 as Product Director for Refrigerators.

**Koral Boro**

Mr. Boro started his career in 1983 as a Sales Representative at Beko Ticaret A.Ş. and has been Arçelik A.Ş.'s Sales Director since 2006.

**Mehmet Savaş**

Mr. Savaş began his career in 1987 as a Production Engineer at Arçelik A.Ş. and was appointed Product Director in charge of Cooking Appliances in 2005.

**Murad Şahin**

Mr. Şahin joined Arçelik A.Ş. 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 A.Ş..

**Salih Arslantaş**

Joining Arçelik A.Ş. in 1987 as Project Manager and Metal Sheet Production Supervisor, Mr. Arslantaş has been serving since 2003 as Product Director for Dishwashers.

**Serdar Sözeri**

Mr. Sözeri began his career as the Mechanical Region Supervisor's Assistant in Rulo Saç Acma Sanayi A.Ş. in 1981, has been working as Consumer Services and Logistics Director at Arçelik A.Ş. since 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 A.Ş. since 2005.

**Şemsettin Eksert**

Mr. Eksert joined Arçelik A.Ş. as a Project Engineer in 1988. He was appointed as the Product Director for Washing Machines on November 1, 2006.

**Şerife Füsün 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 A.Ş. since 2005.

## REVIEW OF OPERATIONS IN 2007

"To become one of the top 10 most preferred brands in our sector in the world by 2010 through the Beko brand."



# Financial Results

## Leadership position in Turkey

As Arçelik A.Ş. strengthened its leadership position in Turkey with over 4,500 authorized dealers and over 600 authorized services in 2007, its successful performance is also reflected in its financial results.

Thanks to its improvements, the Company ended 2007 with TRY 6.6 billion in consolidated sales revenues and increased its operating profits to TRY 517 million with a 4.8% increase compared to last year, despite the shrinkage in the Turkish white goods sector.

The year-end gross profit margin stood at 26.7% and earnings before interest, tax, depreciation and amortization was TRY 662 million, manifesting an increase of 1.8%. The net profit for the year was TRY 158 million.

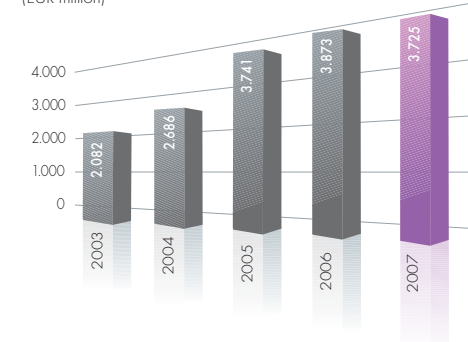
Approximately one third of the Company's TRY 6.5 billion balancesheet footing is shareholder's equity, amounting to TRY 2.1 billion, which is composed of the capital invested by the shareholders and funds raised as a result of operations. This is an obvious sign of the Company's strength and the value given to its shareholders.

By the end of 2007, Arçelik A.Ş.'s market capitalization reached EUR 1.9 billion, reflecting an increase of 6% over the previous year.

In the past year, Arçelik A.Ş. invested EUR 179 million in tumble dryer production, capacity increase, new model development, modernization, R&D, maintenance, logistics and warehouse investments. Investment plans for 2008 amount to EUR 167 million.

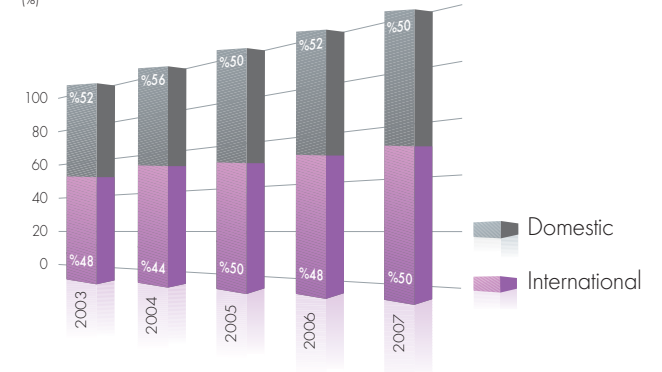
## Consolidated sales revenue

(EUR million)



## Breakdown of consolidated sales revenue

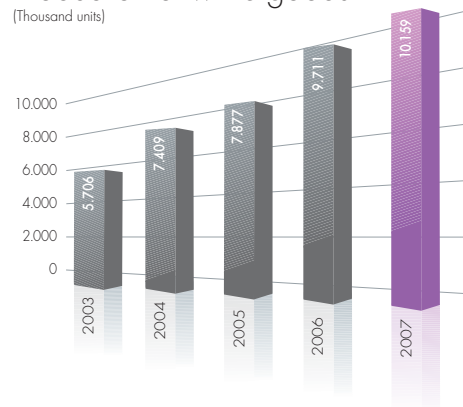
(%)



An average of annual 14% increase in international sales over the last 5 years.

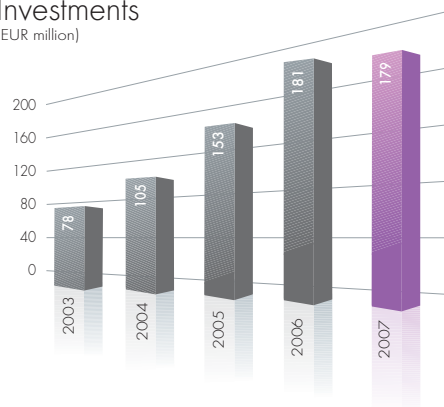
### Production of white goods

(Thousand units)



### Investments

(EUR million)



### Rapid growth in international markets

Thanks to its rapid growth in international markets where it competes with global giants, Arçelik A.Ş. increased its exports of white goods in five main product categories in terms of revenues in 2007, up 22.3% over 2006 figures. In doing so, the Company increased its international revenues in total consolidated sales revenues by 50% with a total of TRY 3.3 billion, thereby reaching one of its primary business goals before the planned time frame.

As Arçelik A.Ş. made investments and brand and company purchases abroad in 2007, it succeeded in growing in the international branded white goods market by 23% on a revenue basis. The Company's target for 2008 in revenue growth for white goods is 16%.

In 2007, Arçelik's international revenue from branded sales of its white goods amounted to 75.9% of all international sales. The Company aims to increase this rate to 79% in 2008.

Over the past five years, the Company increased its international sales by an average increase of 14% per annum. Its goal for 2008 is to increase international sales by 25%.



# Strategic partnerships and acquisitions

## From New Zealand to China...

One of Arçelik A.Ş.'s primary advancements in global markets in 2007 was its strategic alliance with Fisher & Paykel Appliances Holding Ltd. of New Zealand. In the first phase, strategic benefits for both companies are targeted by creating a synergy through cooperation focusing on delivery of main white goods, partnership in technological fields and distribution opportunities in different markets. With this new partnership, the two companies plan to benefit from a wider distribution range by integrating the European, Middle East, Commonwealth of Independent States and Turkish markets where Arçelik A.Ş. is especially effective with markets where Fisher & Paykel is operating. Furthermore, the alliance is targeting wider product lines by mutually delivering merchandise and using the highly advanced technologies of both companies.

After Arçelik A.Ş. purchased all the shares of the Changzhou Casa-Shinco firm in China in July of 2007 for 60 million Chinese Yuan (approximately US\$ 8 million), the enterprise was renamed Beko Electrical Appliances Co. Ltd. and the washing machines production facility was opened on December 3<sup>rd</sup> of the same year. In the first phase of operations, the Beko Washing Machine Production Facility in the Changzhou region is expected to have a production capacity of 200,000 machines per year.

Through this facility, and in line with its growth strategy, Arçelik A.Ş. aims to increase its share in the Chinese market. Moreover, this investment enables the Company to make important progress in its strategy to grow in the North America and Asia-Pacific region, especially in China. Arçelik A.Ş. discovered that the front-loading washing machine is an extremely appropriate product with low penetration rates in this region and it will continue to export other white goods, especially dishwashers, from Turkey to China.

Also in 2007, the Koç Group was awarded with Arçelik A.Ş. as the "Most Competitive Firm" in China.

In 2004, the Koç Group company Beko Elektronik A.Ş., together with England's Alba Company, purchased Grundig, one of the well-known brands

in Europe. To further strengthen its position in consumer electronics sector, Beko Elektronik A.Ş. began the process of buying the remaining 50% shares of Alba in order to fully own the Grundig Multimedia B.V. and Grundig consumer electronics brand, consummated by a decision by the Board of Directors on December 18, 2007.

As the Koç Group's leading company in its sector and Beko Elektronik A.Ş.'s main shareholder, Arçelik A.Ş. aims at global leadership in both the consumer electronics and white goods sectors.

The major advantage setting Arçelik A.Ş. apart from its competition is the fact that the Company has made branded growth its most important strategy in white goods as well as electronics. Arçelik A.Ş. will generate added value in Turkey and abroad in terms of profits and productivity with three strong brands namely Arçelik, Beko and Grundig.

One of the most experienced and prestigious brands in its sector with a strong 63-year history, Grundig's addition to the Arçelik A.Ş. portfolio is not only an important progress for Turkey but also for the European television sector. Today, Grundig branded TVs exist in more than 20 million homes. In the coming days, Arçelik A.Ş. will continue to make Grundig more widely available in the world as a global brand and will add value to the success of the Grundig brand because of its achievements and the synergy created.

Arçelik A.Ş. has enriched its product line in the U.S. market, which the Company entered via exports in 2006, with the "Tall Tub" dishwasher specific to this region. Arçelik aims to improve its already successful performance in the U.S. market with this product.



# Global brands and high technology

## Strong brands in global markets.

As Arçelik A.Ş. continued its leadership in the sector, it made important advancements in 2007 with its strategy of growing through strong brands. The research findings of an analysis done by the independent research agency GfK in 27 countries, including Europe, Turkey and Russia, point out that Arçelik A.Ş. has a 10.3% market share in this region with its brands.

In 2007, Arçelik A.Ş. continued its leadership in refrigerator sales in England with a 15.7% market share. Also in England, in the washing machine sector, Arçelik holds the fourth rank with 7.9% market share.

Arçelik A.Ş.'s success in European countries is not limited to England and the Beko brand. As Arçelik A.Ş. became successful globally, its share grew in all the European markets through its branded products. The Beko brand is the Lithuanian market leader with a 19.2% market share in the white goods sector. It has a 6.3% market share in washing machines in Russia, a 4.4% share in freestanding dishwashers in Germany, and a 8.6% in washing machines in Poland. In Belgium, the Company is the market leader in freestanding oven with a 24.2% share.

The Arctic brand is the most powerful name in Romania with a 96% brand awareness and is the market leader with a market share above 30%.

Arçelik A.Ş.'s Blomberg brand was voted Denmark's "Super Brand" in 2006 and has a 90% brand awareness in that market. Blomberg has garnered a 15% share of the market in dishwashers in Israel. Additionally, as one of the three major brands in combi refrigerators in the U.S., Blomberg was launched in Italy in 2007.



## Innovation means technology... Technology means patents ...

Arçelik A.Ş.'s innovative power as well as its constantly increasing product lines parallel to its investments in technology and R&D, have made it a company that sets the standards of its sector.

Thanks to its R&D investments and innovative technology, 13% of the patents produced in Turkey over the last three years belong to Arçelik A.Ş. Regarding the same period, 45% of the applications made in Turkey to the "World Intellectual Rights Organization" belong to Arçelik A.Ş.

Arçelik A.Ş. won first prize in the "Patent League Awards" competition organized for the second time by the Turkish Patent Institute as the company with highest number of patent applications with a total number of 192. Our Company has 300 patented inventions and about 40 global awards.

Additionally, Arçelik A.Ş. won first prize in the "Turkey's Innovation Leader" research study by Capital Magazine in 2007.







# Firsts and innovations

Arçelik A.Ş. realized many firsts in 2007.

## Built-in hob with induction

The inventor of Turkey's first built-in oven, built-in dishwasher, built-in refrigerator and built-in air conditioner, Arçelik A.Ş. has now offered its consumers its built-in hob with induction, featuring the latest and most trustworthy technology combined with a perfect design. With its cookware recognition and focusing system, the hob with induction generates energy only where the cookware is put and nowhere else, offering a safe cooking environment and energy savings to its consumers.

## Unique design from Arçelik, where technology meets aesthetics

Arçelik, as the leader in the household appliances sector with products developed by its own technology, continued its rich tradition with its new "Grand Prix Series" desktop computers in the electronics sector. With the unique power of its Intel processors, the "Grand Prix Series" desktop computers enable consumers to perform many activities with a high performance level and offer its consumers energy savings with faster systems and data availability for productivity and performance enhancement.

Arçelik "Grand Prix Series", the "The World's Fastest Computers" allow for the highest performance level even in the most intensive operations.

## The ultimate technology: Arçelik's "Tech-Touch" dishwasher

In 2007, in a stunning high-tech achievement, Arçelik A.Ş. introduced to its customers the innovative freestanding and built-under "Tech-Touch" dishwasher. In keeping with the Company's efforts to combat global warming through its premium products, the new "Tech-Touch" dishwasher generates maximum water and energy savings by automatically determining how dirty the dishes are and technologically adjusting the amount of water needed to get the job done right, a task that is accomplished by just the single touch of a button. Moreover, the machine's AAA performance consumes only 10 liters of water during the dish washing process.

## The latest Arçelik dream product: Built-in inox series with no finger prints

Arçelik A.Ş., as Turkey's first built-in kitchenware producer and the market leader in the local built-in market, has completed its product line with built-in inox ovens and hoods made of spotless steel. This innovation joins the Company's other outstanding products, such as built-in inox dishwasher, the cooker hood, the side-by-side style refrigerator and the 70 cm and 84 cm wide refrigerator.



# New business areas

## Beko Exclusive Shops

In 2007, Arçelik A.Ş. strengthened its position in the global market in keeping with its branded growth strategy through high quality products manufactured by its own technology and R&D.

New stores in Bosnia-Herzegovina and China were added to the "Beko Exclusive Shops" chain, where only Beko products are sold in the global markets, especially in Eastern Europe and the CIS. Our goal is to increase the number of these exclusive shops to 500 by the year 2010.

The "Beko Exclusive Shops" chain offers customers standard products at consistent prices, as well as trustworthy after sales services.



## Furniture and built-in product line

Besides its well-known products in the white goods sector, Arçelik A.Ş.'s growth strategy also involves offering other products that make the home life of its customers more simple, enriching and comfortable. Towards this end, the Company has devised an extensive and ingenious product line that ranges from computers to furniture and home textiles to small home appliances.

Following the success of the Company achieved in 2007 through its sales of white goods combined with its partnership with Arstil furniture, in 2008 Arçelik A.Ş. plans on adding new large-scale stores to its extensive network in Turkey. In this regard Arçelik aims to increase the number of Arstil stores from 80 in 2007 to 90 in 2008, as well as to 150 corners in Arçelik and Beko authorized dealers.

In Turkey, the rapid growth of the construction sector over the past two years, coupled with the sharp increase in major residential projects, has created a significant rise in the growth of the built-in products market. In 2007, Arçelik A.Ş. surpassed its targets and sold 362,000 units of built-in products. This success was, as with its other products and previous accomplishments, primarily due to the Company's superior technology, wide-ranging product line, high product quality and extensive franchise and service network. Additionally, increases in corporate sales strengthened the Company's overall leadership in the built-in products sector.

With more than 140 innovative models, Arçelik A.Ş. has distanced itself from the competition in the built-in products sector because of its strong technological advantages, coupled with the ease of use that its products offer customers.





# Brands

Strong global brands.



## **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, ready-made kitchen, and small appliances

The strongest sales and after-sales service network in Turkey

\*Nielsen Research, 2007



## **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 47 countries in 2007, including the U.S. and China



## **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 high-tech product range

A "World Brand" motto associating Beko with the Turkish populace



## **arctic**

Largest local brand and market leader in Romania with a market share of over 30%

Strongest brand in Romania with a 96% brand-recognition rate

The only cooling appliances producer in Romania

Extensive product range including washing machines, ovens, dishwashers, air-conditioners, vacuum cleaners and TV sets

1.2 million units manufactured in 2007 at the Gaesti plant near Bucharest



## 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, retailers selling various brands and wholesalers



## GRUNDIG

Electronic brands with high awareness in both Turkey and Western Europe

Product line consisting of consumer electronics and personal care products



## 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



## 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 cooker market

Built-in ovens 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



## arstii

Furniture brand launched in 2005

First-rate products, including furniture, bed frames, carpets and home textile products

Organizational structure that follows the latest trends in furniture and applies them to Turkey in an effective manner, positions products according to consumer profiles and applies Arçelik's after sales guarantees to its products

Pioneer in developing a different style than its competitors through its "Increase the quality of life in Turkish homes" slogan



# Awards and achievements in 2007

Arçelik rewarded for its commitment to quality...

- 1997 TÜSİAD - KalDer National Quality Grand Prize
- 1998 TÜSİAD, TÜBİTAK and T.T.G.V. First Technology Grand Prize  
Quality Grand Prize in the EFQM KOBİ category (Beko)  
National Quality Grand Prize (Beko)
- 1999 Second Technology Grand Prize
- 2000 EFQM Prize Winner Award
- 2002 Washing Machine Plant - TPM Excellence Award
- 2003 "The Most Successful Cogeneration Establishment" award for Washing Machine and Refrigerator Plants-Turkish Cogeneration Society
- 2004 Blomberg refrigerator - "The Most Energy Saving Refrigerator" award by the European Committee  
Blomberg washing machine - Design Award in the Plus X competition  
Washing Machine Plant - TPM Continuous Excellence Award  
Eskişehir Plant - TPM Excellence Award  
Arçelik Telve/Beko Keyf-iF Design Award
- 2005 Blomberg dishwasher - Red Dot Design Award  
Blomberg heat pumping dryer - Eco Top Ten Energy Award  
Blomberg and Elektrabregenz dishwasher and dryer - six awards in two categories in the 2005 Plus X competition  
Electric Motors Plant - TPM Excellence Award  
Dishwasher Plant - TPM Excellence Award
- 2006 First prize in the first-ever "TPI-Patent League Awards" organized by the Turkish Patent Institute  
Elektra Bregenz refrigerators and built-in ovens won five awards in the 2006 Plus X competition  
Blomberg combi refrigerators and built-in pyrolytic ovens won four awards in the 2006 Plus X competition  
The Eskişehir Refrigerator Plant received a TPM Continuous Excellence Award  
The Romania Arctic Cooling Appliances Plant received a TPM Excellence Award



2007

Beko's WMD 57162, as being the "World's Quickest Washing Machine" captured first place in the "Ecology" category at the annual Plus X awards, widely considered the most prestigious technology competition in Europe.

Leaving behind many leading European brands, Beko's DFN 2520S dishwasher was chosen by "Test Achats/Test-Aankoop", published by the Belgian Consumers Association as the most recommended product to consumers.

Elektrabregenz's model SBS 4000 side-by-side refrigerator won an award in the "Ecology" category at the 2007 Plus X competition. Elektrabregenz products were also awarded various prizes in 2006 and 2005 Plus X competitions.

Arcelik A.Ş. was awarded first prize in the the research among "Innovation Leaders of Turkey" study, sponsored by Capital Business Magazine in partnership with IBM.

Arcelik Call Center won first prize in "Best Technology Usage" category in the 2<sup>nd</sup> Istanbul Call Center Awards Ceremony at the "3<sup>rd</sup> Istanbul Call Center Conference & Fair" held by IMI Conferences.

Blomberg WAF 7340 washing machine, received a "good" grade from the trusted German consumer magazine Stiftung Warentest, in an evaluation including 11 leading international white goods brands. The machine was recommended especially for its ease of use and security.

The November issue of the renowned French consumer magazine Que Choisir, in tests involving 11 leading international brands, selected Beko's model DFN 6831 S dishwasher for its "Best Product" award due to its excellent price-performance ratio.







## 2007

Koç Holding recognized Arçelik A.Ş. with its "Most Successful Activity" award for its participation in the annual "For My Country" project, sponsored by the Turkish Maritime Environment Protection Agency (Turmepa), in which all the Koç Group companies participate in May of every year to highlight the need for environmental awareness.

Arçelik A.Ş. was selected "Exporter of the Year" in the annual "Best Performers in the Business World" competition sponsored by CNBC-e, a recognition of the Company's entrepreneurship, innovation and successful brand.

Arçelik A.Ş. and Beko Elektronik A.Ş. won awards for being among the top ten companies in Turkey in the annual ceremony organized by Capital magazine to announce the results of "The Accountability Rating", a study conducted around the world since 2004 and for the first time in Turkey in 2007.

Blomberg's Q line washing machines and logitronic dishwashers were approved by the internationally respected German VDE Institution for their superior performance. In doing so, Blomberg became the first brand to receive the VDE approval for both dishwashers and washing machines.

With its 192 patent applications in 2007, Arçelik A.Ş. was honored as the company with the highest number of patent applications last year at the second annual "TPE-Patent League Awards" sponsored by the Turkish Patent Institute (TPE).

At the International CES, the world's largest annual trade show for consumer technology, Arçelik A.Ş. won the "2008 Design and Innovation" award in the "Video Display Products" category with its Beko Piano Series 100 Hz LCD television designed and produced in 2007.

42" Piano Series 100 Hz LCD television designed and produced in 2007 was honored by capturing the "Best Design Award" in the "iF Design 2008" competition, one of the world's largest and most prestigious events of its kind.





# BİR YILDA BİR KEBAN!

Her yıl Keban Barajı'nın ürettiği kadar enerji tasarruf edilebilir mi? Eğer herkes A ve A+ enerji sınıfı ürünler kullanırsa edilir. Biz bu hayale yıllar önce inandık. Türkiye'yi A ve A+ enerji performansıyla tanıştırdık. Ne mutlu ki diğer beyaz eşya üreticileri bizi takip etti. Bu konuda göstermiş oldukları duyarlılık için onlara, A ve A+ enerji sınıfı ürünler tercih ettiğiniz için sizlere çok teşekkürler.

Arçelik, Enerji ve Tabii Kaynaklar Bakanlığı'nın yürüttüğü Enerji Verimliliği Projesini destekliyor ve halkımıza enerji verimliliği olan ürünler kullanmaya davet ediyor.



444 0 888 www.arçelik.com.tr



\*Arçelik A.Ş. continues its efforts to arouse social consciousness towards water and energy savings through an advertising campaign.

 arçelik

 Koç





# Production plants

Leading production facilities with high capacity.

## Refrigerator Plant - Eskişehir

With a production volume of over 2.7 million units, the Refrigerator Plant maintained its leadership among other single-campus plants in Europe in 2007. As the world's largest refrigerator plant under a single roof, it exported 69% of its output to more than seventy five countries.

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

With 25 new patent applications in 2007, the Plant increased its total number of cooler patents to 216. Furthermore, it received a TPM Continuous Excellence Award in 2006 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. Additionally, the facility began production of A energy class new 84 cm wide No Frost Refrigerators with the widest volume. The refrigerator, which meets the demands of customers at the highest level, has a "Custom Cool" section and an automatic water spring. The production of this refrigerator has given the Company a great advantage in the domestic "No Frost" product line.



Refrigerator and Compressor Plant  
Eskişehir

## Washing Machine Plant - Tuzla, Istanbul

With an annual production of 2.6 million washing machines and 256,000 tumble dryers, the Washing Machine Plant is the largest facility of its kind in Europe. Last year, the Plant won TPM Excellence and TPM Continuous Excellence Awards.

The facility consistently uses the TPM and Six Sigma methodologies in its production technologies. In 2007, it began production of all five, six, seven and eight kilo capacity washing machine models of the C2L project, which allows for higher capacity with less body depth.

Beko's WMD 57162, designed by Arçelik A.Ş. engineers and known as the "World's Quickest Washing Machine", employs the special brushless DC motor technology. It is able to wash seven kilos of laundry in 30 minutes and won the 2007 Plus X award in the "Ecology" category.

Last year, the Blomberg WAF 7340 washing machine produced at this facility was awarded the VDE Quality Certificate for the first time.

In 2006, this plant began production of a more economical model of the heat pumping dryer, which was highly recommended for German consumers by the Stiftung Warentest magazine.



Washing Machine Plant  
Istanbul

## Cooking Appliances Plant - Bolu

The Cooking Appliances Plant exports 78% of its products to Europe, including countries such as England, France and Russia. The facility uses TPM and Six Sigma management systems in its production technologies and made 17 patent applications in 2007.

Investments at the Plant in 2007 have enabled its production capacity to reach 2.5 million ovens per year. This gives the facility the highest production capacity in Europe under one roof. The Plant has all the standard certifications, including TSE, German VDE, TÜV, England's BEAB, the Russian Federation's GOST, Australia's AGA, North Korean's KETI and China's CCC documentation. With its product investments in the rapidly growing built-in oven and stove markets, it has increased customer satisfaction. Moreover, it recently added the new built-in oven and stove versions controlled by touch to its impressive product line.

## Dishwasher Plant - Ankara

The Dishwasher Plant in Ankara, 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 nearly reaching full capacity in 2007, work began on expanding the Plant's capacity and efforts continued to produce "Best Buy" products for European countries.

In 2005, this facility produced Arçelik's "Ecologist" model, known as world's most water-efficient dishwasher with its Level-A performance. The following year, in 2006, the Company added to this distinction by producing the quickest dishwasher in the world in the shortest period of time.



Cooking Appliances Plant  
Bolu

It kept on inventing and producing, ultimately launching in 2007 what has become known as the "world's most intelligent dishwasher" its "Tech-Touch" model. Besides the 60 cm wide standard free-standing and built-in models which are already on the market, the Plant's product range is complemented by the 45 cm version of the same dishwasher. And, in a major enhancement to its product range, the Ankara Dishwasher Plant in 2007 produced the innovative "Tall Tub" dishwasher and began exports to the highly competitive North American market.

Each product is continuously being improved in terms of ease-of-use, appearance and technology.

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

## Electric Motors Plant - Çerkezköy, Tekirdağ

Arçelik A.Ş. made a decision during the last quarter of 2006 to merge its production of industrial motors at the Taşdelen Multi-Purpose Motor Plant in Istanbul to its current facility in Çerkezköy. Despite the moving process, the Plant has broken its record by increasing its production to 590,000 units, an increase of 24% compared to 2006 figures. Of these units, 57% were exported to other countries, primarily in Western Europe.

After winning the TPM Excellence Award in 2005, the facility increased its white goods motor production in 2007 to 9 million units, a 4% increase over the previous year. The production of its Turkish coffee-making machine increased by 181%, with 38,000 units being manufactured in 2007.



Dishwasher Plant  
Ankara





### Compressor Plant - Eskişehir

In 2007, the Compressor Plant produced 2.6 million compressors for the Arçelik A.Ş. Eskişehir, Arctic-Romania and Beko LLC Russia refrigerator plants. Since it was established, this facility has produced 36 million compressors for both the domestic and international markets. With its high-quality production at international standards, the Plant enables the Company to increase its competitive advantage by employing the TPM and Six Sigma methodologies to decrease costs and improve its quality, processes and flexible production structure.

With a production capacity for 1.5 million units per annum, in 2007 the facility began manufacturing the new MTS model compressor, which features increased energy and lower costs. Last year, the Eskişehir Compressor Plant won the 2007 "Most Successful Facility" award given by the Electricity Studies General Management in the energy productivity category because of the energy savings achieved by refrigerators using the MTS compressor.

### Tumble Dryer Plant - Çerkezköy, Tekirdağ

Arçelik A.Ş.'s Tumble Dryer Plant is a large two-story facility situated on a 75,000 m<sup>2</sup> plot of land in the Çerkezköy Organized Industrial Region. Thanks to the Company's recent investment of EUR 26 million, the Plant has a total indoor production area of 25,000 m<sup>2</sup> and a production capacity of 400,000 units. Arçelik, Beko and Blomberg tumble dryers will be produced here, with approximately 80% of these slated for export. The facility, which produces models with chimney, condenser and heat pumps, is currently producing tumble dryers, which are the most energy-conscious in Europe in the condensation segment.

In recent years, the Tumble Dryer Plant has won "Eco Top Ten" and "Plus X 2005 - Innovation" awards with this product, which and has also been chosen as "The Best Tumble Dryer" by leading consumer magazines in Germany and Belgium.

### Arctic Cooling Appliances Plant - 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.

In 2007, the Arctic facility ended its transition towards production of the same product line as the Eskişehir Refrigerator Plant and has added No Frost products to its innovative portfolio. Arctic uses TPM's production technologies extensively and has become a major white goods producer with its extensive product line, technology transfers and new investments enabling the production of 1.2 million units in 2007.

### Beko LLC Refrigerator and Washing Machine Plant - Russia

As the Koç Group's first factory built abroad, the Beko LLC Production Plant in Russia produced 284,490 washing machines and 144,352 refrigerators in its first year of existence. In 2007, it exported 75,683 washing machines and refrigerators.

By establishing sales networks in Moscow and eight other cities in Russia, the Plant is able to reach into every corner of that large nation. With its Beko and Blomberg brands, it increased its market share in 2007 and in January of last year received the ISO 9001:2000 Quality Standards certification, as well as the TÜV and VDE certification for its products. Beko LLC aims to become one of the top three brands in Russia by 2010.

### Beko Electrical Appliances Washing Machine Plant - China

Over the year Arçelik A.Ş. has closely followed developments in the Chinese market, leading to the establishment of a marketing and sales company in Shanghai in 2005 as a first step towards investing in China. In 2007, the Company decided to increase its investment in China and purchased 100% of the Changzhou Casa-Shinco Electrical Appliances Co. Ltd. for 60 million Chinese Yuan of the Changzhou Casa-Shinco Electrical Appliances Co. Ltd. for 60 million Chinese Yuan (US\$ 8 million). It renamed the company Beko Electrical Appliances Co. Ltd. and increased the capital by. It renamed the company Beko Electrical Appliances Co. Ltd. and increased the capital by US\$ 10 million. The facility, which opened on December 3, 2007, is a three-story building with an indoor production area covering 20,000 m<sup>2</sup> and a production capacity of 200,000 front-loading washing machines. It has available 500, 600, 800 ve 1000 circulation power mechanical and digital OEM production. An additional US\$ 10 million investment is slated for the years 2008 and 2009, which will enable the Beko brand to increase its product line, including five, six and seven kilo washing machines. Upon completion of these projects, the Plant's production capacity is expected to reach 600,000 units in 2009.

With the synergy created by these investments, Arçelik A.Ş. is growing in the huge China market and aims to increase its growth strategy for North America and the Asia-Pacific region.

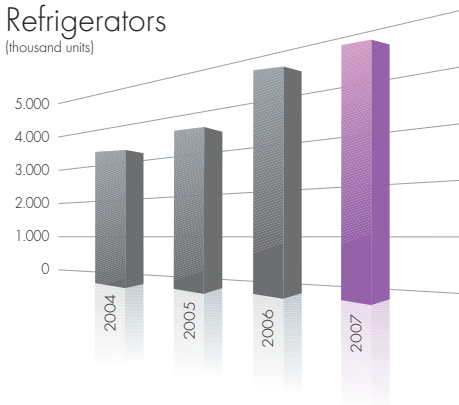


Arctic Cooling Appliances Plant  
Gaesti, Romania

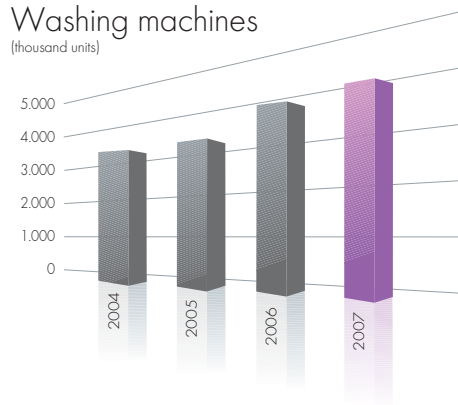


## Production capacities

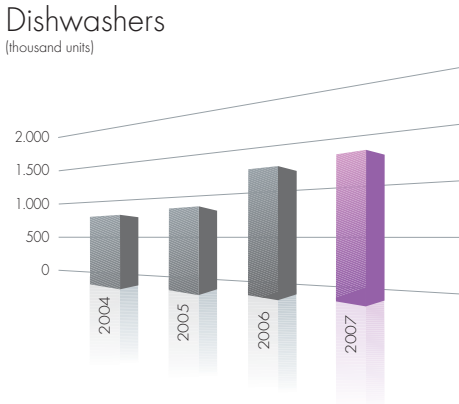
Refrigerators  
(thousand units)



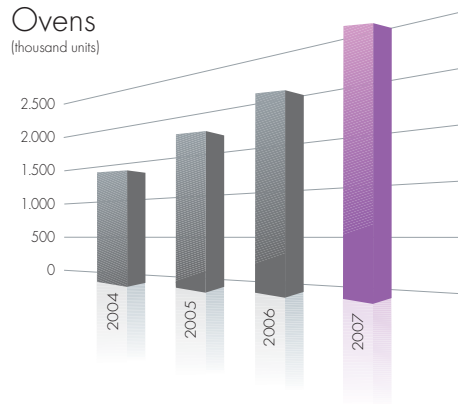
Washing machines  
(thousand units)



Dishwashers  
(thousand units)



Ovens  
(thousand units)



Beko LLC Refrigerator and Washing Machine Plant  
Russia



Tumble Dryer and Electric Motors Plant  
Çerkezköy, Tekirdağ



Beko Electrical Appliances Washing Machine Plant  
China





## CORPORATE SOCIAL RESPONSIBILITY REPORT

"We are conscious of our responsibilities and therefore strive to leave a better world behind for succeeding generations. Our corporate culture, values and ethical principles guide our way towards meeting these responsibilities."



# Corporate social responsibility concept

## 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.

As Arçelik consciously and consistently seeks to meet its responsibilities in close cooperation with its workforce and business partners, the Company is always guided by its corporate values and the motto of our founder, Vehbi Koç: As long as my country exists, so do I.

## 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 has been disclosed since 2004 in both the 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 2007 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 the Assistant General Manager in charge of the 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' either written or verbal inquiries for information concerning the Company, with the expressed exception of confidential information, either written or verbal, and trade secrets which are not disclosed to the public
- Ensuring that the General Shareholders 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 Shareholders 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 for information from academicians studying the Company and the industry
- Drafting Turkish and English versions of the Investors Relations page on the Company's website ([www.arcelikas.com](http://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 31 00 fatih.ebiclioglu@arcelik.com
Türkay Tatar	Finance Director +212 314 31 84 turkay.tatar@arcelik.com
Doğan Korkmaz	Treasury and Capital Markets Manager +212 314 31 95 dogan.korkmaz@arcelik.com
Pınar Atakol	Investor Relations Specialist +212 314 31 17 pinar.atakol@arcelik.com
Turhan Sari	Capital Markets Specialist +212 314 31 15 turhan.sari@arcelik.com

Fax: +212 314 34 90

In 2007, in order to provide detailed information on the Company to existing and prospective shareholders, the following actions were taken:

- Nine 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 and two teleconferences were held to announce the financial results on quarter basis. The details of the special events were disclosed on the official website.

Eight press conferences were held in Turkey and abroad, and the public and investors were informed concerning 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 financial statements and up-to-date information on the Company is being offered on the official website both in Turkish and in English.



In 2007, shareholders' information requests were met verbally or in writing in compliance with the capital markets legislation and without discrimination against any shareholder or shareholder group. In 2007, necessary formalities were completed for 100 shareholders who were not able to receive their dividends and who have not participated in capital increases in previous years.

In addition to the explanations concerning important circumstances, financial reports and other essential information about the Company is sent out via electronic media with an electronic signature within the framework of the PAP (Public Announcement Project).

The Company concluded work to send required electronic data to the CMB and the ISE with electronic signatures. Also, financial statements and material disclosures filed with the CMB and the ISE were 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. 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 branch. Company operations are regularly audited by an independent auditor (Başaran Nas Yeminli Mali Müşavirlik A.Ş., a member of PricewaterhouseCoopers), as well as by internal auditors elected at the General Shareholders 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 2007, the Company held an Ordinary Meeting of Shareholders. The Company's 2006 operations were discussed at the General Shareholders Meeting held on April 3, 2007. Of the 39,996,000,000 outstanding shares, 34,243,802,122 (or 85.62%) were represented at the General Shareholders 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.

- The General Shareholders 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 Shareholders 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 Shareholders 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 Shareholders Meeting in a clear manner in order to avoid any misunderstanding.
- The announcement of the General Shareholders Meeting includes forms of proxy statements to be used by shareholders who want to be represented by proxy at the General Shareholders Meeting. These forms are also posted on the Company's website.
- Voting procedures are announced to shareholders electronically before the General Shareholders Meeting.
- In 2007, the Company received no requests from shareholders pertaining to the addition of an item to the Agenda.

Before the General Shareholders meeting, under the agreed pre-condition that, all the legal period for Beko Elektronik to obtain all the necessary permissions to raise the shares of Grundig Multimedia BV to 100% must be completed. All the necessary permissions from the Board of Capital Market and Commerce must be attained before the General Shareholders Meeting, for all the transactions will be completed to raise the Companies shares 100%, of the Grundig Multimedia BV to 100%. In 2008, we will vote to change the name of this enterprise to Grundig Elektronik Joint-Stock Company at the upcoming General Shareholders Meeting.

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 Shareholders 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 Shareholders 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 Shareholders 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 Shareholders 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 2007 General Shareholders Meeting was held at the Divan City Hotel, located at Mecidiyeköy, Istanbul, a popular meeting venue that allowed for the convenient participation of all shareholders. The invitation to the General Shareholders 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 Shareholders 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 2007 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 Shareholders 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 Shareholders Meeting cannot convene within the three months following the end of the financial period. The Company will discuss its 2007 operations at the General Shareholders Meeting to be held on April 3, 2008.

At the General Shareholders Meeting, agenda items are communicated to shareholders in a manner that is detailed, objective, and comprehensible. These agenda items are discussed with shareholders, affording them equal opportunity to make any 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 Shareholders 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 on individually. The General Shareholders Meeting is held under the supervision of a representative of the Ministry of Industry and Trade. The General Shareholders Meeting has authorized the Board of Directors to purchase, sell and lease material assets, as well as to make donations and grants. The Company's Articles of Association include relevant provisions permitting such authorization.

The Minutes of the General Shareholders 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 Shareholders 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 Shareholders 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 Shareholders 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 Shareholders Meeting held on April 3, 2007, it was decided to distribute a 50% gross (42.621% net) dividend in accordance with the operating results of 2006. Dividends were distributed after May 14, 2007.

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 Shareholders 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 Shareholders 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 2007 in material disclosures were as follows:

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

\* F. Bülend Özaydınlı and Temel K. Atay are also members of the Audit Committee.

\*\* Robert was elected to the Audit Committee on November 7, 2007, following the resignation of F. Bülend Özaydınlı from the Board of Directors. Mr. Özaydınlı resigned voluntarily on October 18, 2007.

### Board of Auditors

Mert Ş. Bayram  
Serkan Özyurt

The members of the Board of Directors and Board of Auditors were selected at the Ordinary Meeting of Shareholders held on April 3, 2007.

### Management 2007 (December 31, 2007)

Aka Gündüz Özdemir	General Manager
Atilla İlbaş	Assistant General Manager-Production and Technology
Dr. Fatih Kemal Ebiçlioğlu	Assistant General Manager - Finance and Accounting
Fredrik Ulf Janson	Assistant General Manager - International Marketing and Sales
Şirzat Subaşı	Assistant General Manager - Turkey Marketing and Sales
Ahmet İhsan Ceylan	Information Technologies Director
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
Hakan Turan	Product Director - Electric Motors
Hilmi Cem Akant	International Sales Director - Europe and Business Development
İhsan Somay	Accounting Director - Sales/Marketing
İsmail Hakkı Sağır	Product Director - Refrigerators
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 - Dishwashers
Serdar Sözeri	Consumer Services and Logistics Director
Sibel Kesler	Budget, Reporting and Analysis Director
Şemsettin Eksert	Product Director - Washing Machines
Şerife Füsün Ömür	Human Resources and Strategic Planning Director

## Management of Subsidiaries Abroad (December 31, 2007)

Brigitte Petit	Country Manager-France/Beko France S.A. General Manager
Clayton Witter	Country Manager-UK/Beko P.L.C. General Manager
İsmail Kürşat Coşkun	Country Manager-Italy/Arcelitalia S.R.L. General Manager
Kamil Uğur Kayalı	Country Manager-Romania/Arcic S.A. General Manager
Namık Koçer	Country Manager-Spain/Beko Electronics España 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 Şatiroğlu	Country Manager-China/Beko Electrical Appliances Co. Ltd. General Manager
Tevfik Adnan Tüfekçi	Country Manager-Russia/Beko LLC. and Beko Elektronik LLC General Manager
Zafer Üstüner	Country Manager-Germany/Beko Deutschland GmbH General Manager

## Appointments in 2007

Fredrik Ulf Janson - Assistant General Manager - International Marketing and Sales (Appointed as of June 27, 2007)

Hakan Turan - Product Director - Electric Motors (Appointed as of July 1, 2007)

Zafer Üstüner - Country Manager - Germany/Beko Deutschland GmbH General Manager (Appointed as of March 1, 2007)

Rauf Candan Oğuzkan Şatiroğlu - Country Manager - China Beko Electrical Appliances Co. Ltd. General Manager Rauf Candan Oğuzkan Şatiroğlu (Appointed as of October 1, 2007)

Tevfik Adnan Tüfekçi - Country Manager - Russia/ Beko LLC and Beko Elektronik General Manager (Appointed as of December 1, 2006)

## Resignations in 2007

Georg E. Lackner - Country Manager - Germany/Beko Deutschland General Manager (Resigned on February 28, 2007)

Mustafa Nadir Yalçınalp - Assistant General Manager - International Marketing and Sales (Resigned on June 26, 2007)

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 Finance Directorate 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/IMS. 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 20 material disclosures. The ISE and/or the CMB did not request additional explanations with respect to the public disclosures made in 2007. 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.



## 10. The company's website and its contents

As required by CMB principles, the Company uses its website ([www.arcelikas.com](http://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 Finance Director 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 or another member of the Koç Group may profit by buying or selling shares of Arçelik using insider information.

Public announcements are made in case any administrator of the Company, who holds knowledge that can affect the value of the capital market instruments, trade the shares of the company. Such information is also announced on our official web site.

The list of top management who have access to any knowledge that affects the value of the capital means of the markets takes place in Annual Report.

## Section III: Stakeholders

### 13. Informing stakeholders

The stakeholders of Arçelik include third parties who have a direct relationship with the Company. Stakeholders are invited to meetings whenever necessary or are informed using telecommunication channels. The Company believes that cooperation with stakeholders is beneficial 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 consists of 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 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 asset 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 that 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 prevails.
- 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 into the organization. Arçelik does not discriminate on the basis of ethnic origin, race, nationality, disability, political views, religious beliefs, age, gender or sexual orientation.
- Fairness, consistency and reliability are the basis of all HR applications.
- Aiming at continuous improvement of HR standards, the Company systematically and periodically reviews them and revises 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 meeting 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 relationship between the 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. The training and development approach aims to reinforce the improvement of the Company and individual performance through continuous development. All training and development activities should be consistent 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 the performance of its employees.

The 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 a 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 savings of 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 high-tech Arçelik Call Center directly handles all kinds of inquiries, problems and proposals of customers, seven days a week from 08:00 to 24:00 and when necessary, informs the relevant departments. Capitalizing on the advantage of its latest 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. The Arçelik Call Center won first prize in "Best Technology Usage" category in the "Call Center Awards Ceremony" held by IMI Conferences.

Under the scope of the Company's Directory of Logistic and Consumer Services, 12,000 personnel, 6,500 of whom are technicians, provide assistance at the 627 authorized service centers, which are under 13 regional administrations, and with a car park capacity for 5,500 vehicles.

Arçelik's Authorized Service Centers provide 11 million services for all the Company's brands. Arçelik personnel faithfully deliver after sales services and follow-up to ensure that products sold are appropriately utilized, contributing to the success and superiority of the Company.

## 17. Social responsibility

The Company considers corporate social responsibility 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 allow 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 Shareholders 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 Shareholders 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, 3.1.3 and 3.1.5 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 mission;  
In line with values, goals and strategies of Koç Group;

- To develop, produce, present and service products which meet our customers' needs beyond their expectations, ease home life, are easily purchased and used, and are reliable;
- To grow and develop continuously in the target markets with shareholders' satisfaction by providing customer loyalty and satisfaction with using resources effectively.

Vision;

To become one of the top 10 brands of the world in its sector until 2010 with Beko brand.

The main corporate strategic targets of our Company are as follows:

- To exceed consolidated net sales of EUR 6 bln. in 2010 with an annual growth of 12% in the 2008 - 2012 period
- To maintain group profitability above industry average and create economic profit
- To keep the leading market position in Turkish market.
- To reach 2% global market share in 2010 with Beko brand
- To possess the capability to develop products, which will differentiate from competitors and deliver benefits to consumers.
- To achieve at least 50% of total consolidated net sales from international sales

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 continuously 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

At Arçelik the management of financial risks is the responsibility of the Treasury and Capital Markets Department and financial risks are screened and reported by the Risk Management Department formed within the structure of the Finance Directorate. 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 of 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 2007, since no dissenting opinion was voiced during 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 to provide communication. Board Meetings are held at the Company Headquarters or at a place in the city conveniently located near Headquarters.

### 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. Rules of ethics

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

Arçelik's business ethics are a part of the daily working life of the Company. 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 these business ethics during the performance of their duties. Arçelik's Code of Business Conduct 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 critical in ensuring the Company's future success and, ultimately, 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 respect for others, avoiding the use of alcohol and illegal drugs in the workplace and during working hours, ensuring workplace safety and security, creating a peaceful working environment and treating everyone equally without discrimination.

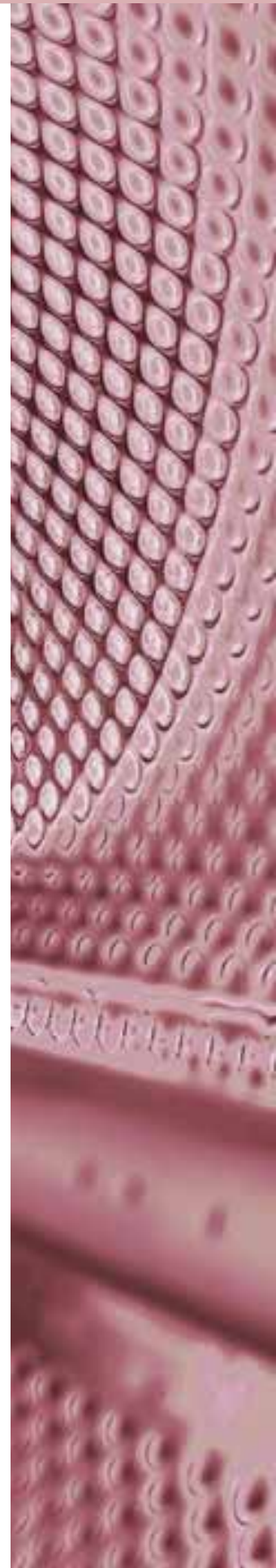
If an employee is uncertain of any aspect of Arçelik's business ethics, the tools and chain of authority to be consulted is clearly defined. In the event of any violation of these business ethics following a proper and thorough investigation, Company disciplinary measures will be employed.

### 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 2007, the Board elected Mr. F Bülend Özaydınlı (replaced by Mr. Robert Sonman on November 7, 2007) 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 Shareholders Meeting. At the General Shareholders Meeting of April 3, 2007, 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 1.265 TRY. 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.







## FOR SUSTAINABLE LIFE

“Our priority is the production of goods in a manner that respects both human life and the environment.”





# Sustainable development

## Environmental approach

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. Based on the principle of Total Quality Philosophy, it is our intention in all our activities to do everything possible to protect the world's environmental natural resources and to increase social consciousness on this vital issue.

## Environmental Policy

Arçelik and its employees comply with all applicable national and international environmental laws and regulations; manufacture environment-friendly products in line with environmental management system based on continuous improvement.

We perform our activities to

- inherit a clean and healthy environment to the new generations,
- use energy and natural resources efficiently
- minimize the adverse environmental impacts of production, beginning with the design stage
- prevent pollution at the source
- raise environmental awareness of our employees and the society

accompanying the Quality, Health and Safety Management Systems and we strive to set a model in durable goods sector with regard to environmental efforts.

Therefore, the Company documents and certifies its environmental management system according to ISO 14001 Standard.

Arçelik A.Ş. guarantees to improve continuously, prevent environmental pollution and comply with all activities and product related regulations and standards within the framework of ISO 14001:2004 Environmental Management System Standard. The Company's environment friendly approach and responsibility, as well as its technological successes, are the outcome of its management system and policies, entirely integrated into the production and development processes.

## Environmental training

Every year, Arçelik provides regular training to raise the environmental awareness of its employees. In 2007, a total of 5,244 hours of training was provided.

## Production in compliance with national and international directives, regulations and standards related to environment

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 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 system audits are carried out regularly to assure that the 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.

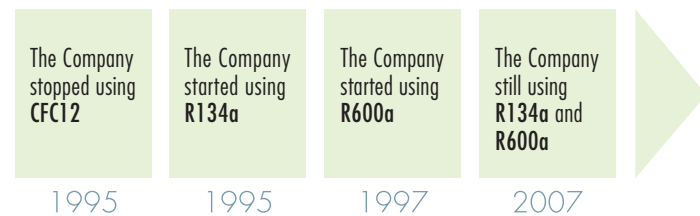
The Company closely monitors developments in the industry and, as a member of the European Committee of Domestic Equipment Manufacturers (CECED) and other EU workgroups, endeavors to meet the requirements based on the following directives:

- 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 EU 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 much earlier than 2006, which was the deadline set for Turkey in the Montreal Protocol.

Moreover, working jointly with its suppliers, 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 the EU standards, when Arçelik Class B performance products are replaced by Class A performance products, there will be almost 20% energy savings.

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.

Arçelik is committed to protecting the environment and making natural resources sustainable in line with its management approach based on the concept of total quality, a philosophy that calls for the continuous improvement of production processes that comply not only with today's standards, but those of the future, as well.

Furthermore, Arçelik strives to constantly improve its product development processes focusing on energy and water saving, recognizing the importance of these valuable resources in dealing with such problems as "global warming" and the "depletion of natural resources" and "water shortage".

A good example of Arçelik's environmental concern and how it uses technology to save natural resources is seen in its "Ecologist" dishwasher, which is the world's most water-efficient model. As compared to hand-washing, Arçelik 62101 EI "Ecologist" dishwasher, which consumes the least water in the world, economize 26 tons of water per year by using only 9 lt of water. The "Ecologist" while providing product excellence economically contributes to environmental protection.

### Technology with efficient resource usage

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

In 2007, Arçelik attended the annual "Electronics and Environment" Conference organized by the Institute of Electrical and Electronics Engineers (IEEE), the world's leading professional association for the advancement of technology. Following a rigorous selection process by a jury of academicians and experts in the sector, Arçelik engineers had the honor of presenting a paper entitled "The Recycling of Electric and Electronic Materials."

### Public awareness and communication activities

In addition to developing efficient products, Arçelik's support of activities that raise the public awareness about environmental issues are proof of the Company's determination to produce and launch environmentally friendly products in the future, as well.

In 2007, believing in cooperation should create long term solutions, Arçelik A.S. initiated the "Don't waste your water" campaign sponsored by TEMA (The Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats). The purpose of this campaign was to arouse public attention of the water shortage plight and to encourage people to redouble their personal efforts to save water.

8 kg A+A



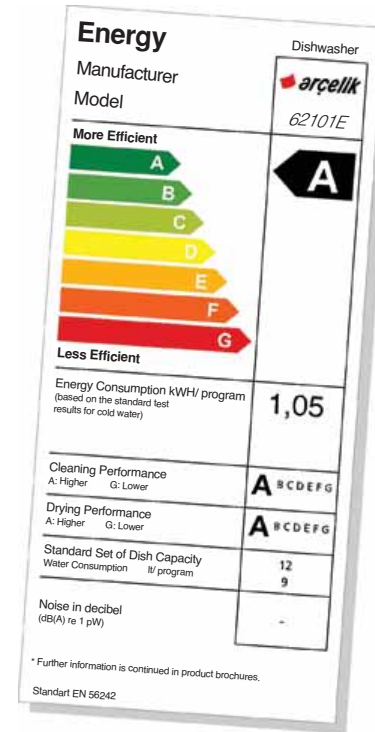
The “Don't waste your water” campaign resulted in as short period as three-months, a savings of approximately 18 million tons of water, which is actually the amount exceeding the water supplied from the Elmalı Dam to İstanbul in a year. Consumers who are environmentally aware of the implications of water economics are able to save between 26 to 40 tons of water just by switching from washing by hand to the use of dishwashers.

Arçelik A.Ş. continued its efforts to arouse social consciousness towards water and energy savings through an advertising campaign launched in conjunction with a leading broadcasting corporation. It sponsored programs such as “Before the World Diminishes” and “Global Realities”, which informed consumers concerning important environmental issues like global warming and the measures people can take to make a difference in the world today.

In an effort to produce and launch environment friendly products, which are leaders in energy and water efficiency. Arçelik A.Ş. supported the “En-Ver” project, a joint venture between the Turkish Government's Ministry of Energy and Natural Resources and Koç Holding, perennial leaders in their sector. En-Ver project aims to change consumers' behaviours by raising public awareness in energy efficiency promoting more eco-friendly life style and by thus save energy.



Arçelik A.Ş. supported the energy efficiency project called “En-Ver” initiated by the Ministry of Energy and Natural Resources in Turkey.



Arçelik began using energy labels indicating the low energy consumption of its products long before these labels became mandatory in Turkey.

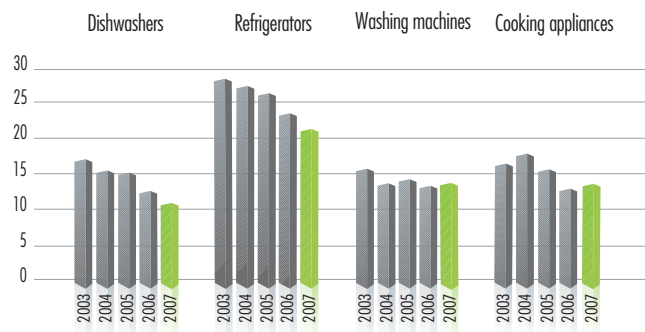


Arçelik A.Ş. supported the “Don't waste your water” campaign initiated by TEMA (The Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats).

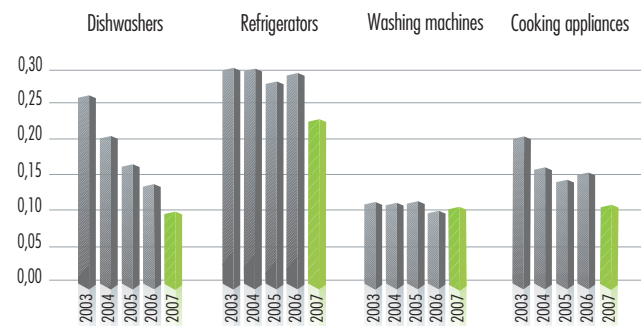


## Environmental impacts

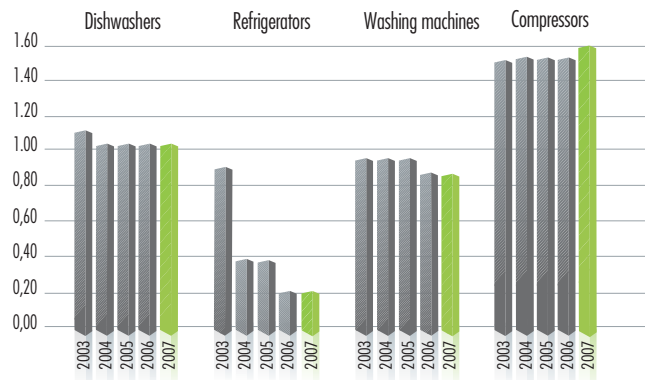
Energy consumption (kWh/product)



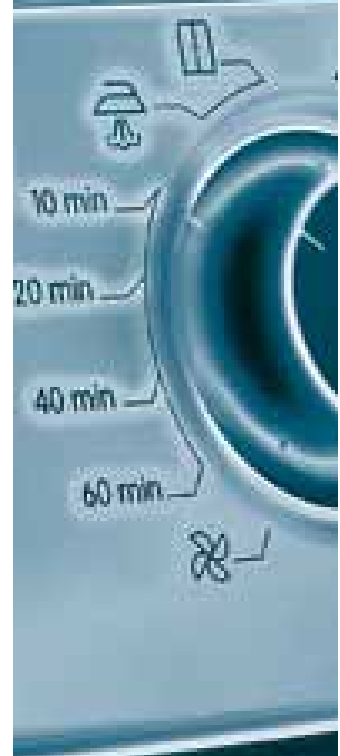
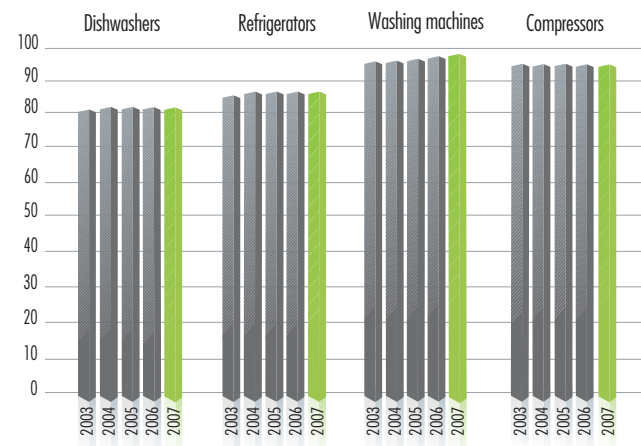
Water consumption (m<sup>3</sup>/product)



Energy consumption trend (kWh/24h)



Recycling rate (%)





# Total quality concept

## Quality policy

In the line of Arçelik's vision for the future; we develop and manufacture affordable, easy-to-use, reliable consumer products and deliver after sales service by implementing state-of-the art technologies to satisfy our customer needs beyond their expectations.

We perform our activities to

- document, certificate and continuously improve our Quality Management System to comply with the ISO 9001 standard requirements,
- attain organizational and departmental targets with team work concept, taking Total Quality Philosophy into account,
- review our work processes by conducting a self assessment program and define proactive activities to improve our overall performance,
- enhance productivity of all our processes to a level of international competition in direction of continuous improvement approach,
- encourage innovative and creative approaches, and conduct trainings to increase technical and behavioral competencies

accompanying the Environmental, Health and Safety Management Systems and we strive to set a model in durable goods sector with regard to quality efforts.

We review our Quality, Environmental, Health and Safety Management Systems and business processes starting with the suppliers and ending at the customers by conducting a self-assessment program in accordance with the EFQM (European Foundation for Quality Management) Excellence Model.

In order to achieve company wide objectives and sustain continuous growth in the target markets, we work with the teamwork based on the total quality philosophy. We prepare and monitor Quality, Environmental, Health, Safety activities with strategic five-year quality plan.

## Six Sigma

Arçelik has adopted the Six Sigma 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 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.

## 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.

## Self-Assessment

Arçelik, winner of the EFQM Excellence Award and the Turkish Quality Association's (KalDer) Grand Award, has adopted a self-assessment method since 1993 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 annual on-line survey. Following this, the Company's top management team, including the managers of all departments, 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 Department and the preparation of a report, which is later utilized for the strategic planning cycle of the Company.

# Employee-focused approach

Arçelik believes that its most important duty is to comply with international standards and regulations 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 safe 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.

Within the framework of this ethical agreement, an annual progress report is being published on the CECED website (<http://www.ceced.org>). Aware of the value of people for economic sustainability in the entire scope of its activities, Arçelik A.Ş. performs national and international activities in the durable consumer goods industry, in accordance with its Quality, Environmental, Health and Safety Policies.

## Occupational Health and Safety Policy

Arçelik and its employees comply with all applicable national and international occupational health and safety laws and regulations and create a safe and healthy working environment in line with occupational health and safety management system based on continuous improvement.

We perform our activities to

- analyze and decrease the occupational health and safety risks arising in the working environment
- conduct training activities in order to develop and increase the awareness in occupational health and safety issues
- take measures to achieve a zero work accident rate and a zero occupational disease rate and increase productivity

accompanying with the Quality and Environmental Management Systems and we strive to set a model in durable goods sector with regard to occupational health and safety efforts.

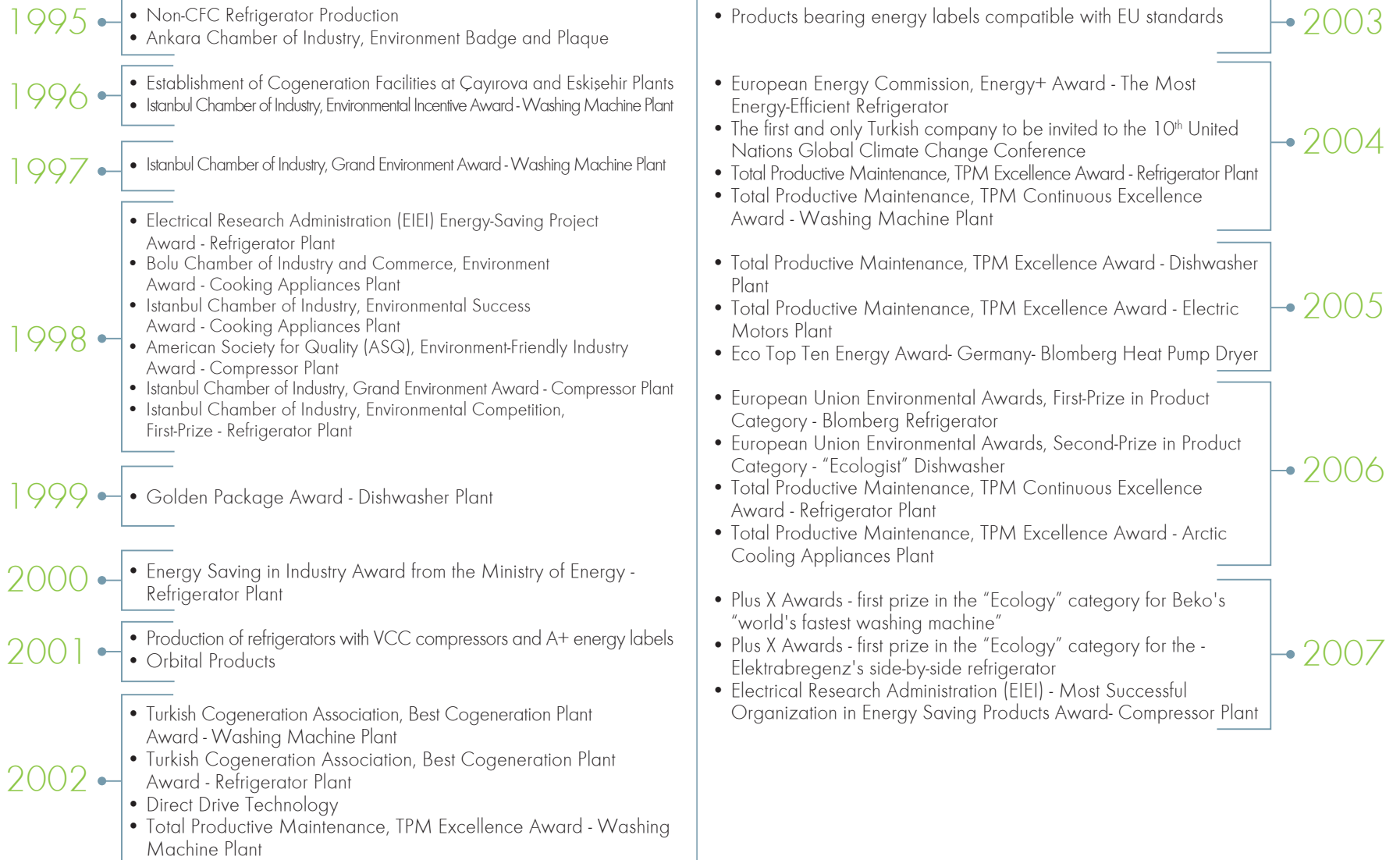
Employee training courses held by Arçelik A.Ş. demonstrate the Company's commitment to occupational health and safety. In 2007, the total training time amounted to 11,725 hours.



# Awards

For Arçelik there is no end to the continuous strive for excellence. There is always continuous improvement.

Arçelik's commitment to excellence via its Total Quality philosophy has increased the Company's sense of responsibility to the community in general and its customers in particular, who have simultaneously raised their expectations. Evidence of Arçelik's passion for excellence is seen in the numerous awards it has garnered over the years.



# Environment friendly products

## Refrigerator

To meet the increasing demands of our customers in both the domestic and international markets, the Company's engineers at the Eskişehir Plant have designed new and large frost-free, double door refrigerator with stored water dispenser. With it's highly energy efficient class A performance, it is an excellent addition to our growing product range.

**Environment-friendly product:** Thanks to its cooling system design, freezing and cooling compartments work separately, thereby preventing odors and maximizing preservation of different products. All the materials used in the products are in compliance with RoHS standards, which prevent the use of harmful substances. The environmentally friendly R600 gas used in the cooling system does not harm the ozone layer.

**Energy performance:** The Class A energy performance, which utilizes 1.63 kWh energy, minimizes energy consumption with its improved cooling system, simultaneously preserving various foods longer and providing more freshness.

**Select and cool compartment:** Thanks to this 10.5 liter specially isolated and electronically controlled compartment, which can be set in to four different temperature levels (-7°C, -1°C, +1°C, +4°C), thus enabling longer storage periods for different kinds of foods.

-7°C: Fish and meat products can be safely preserved for up to three weeks, also enabling the meat to be cut into smaller pieces more easily.

-1°C: Fish, meat and delicatessen products can enjoy lifespan three to four times longer.

+1°C: Delicatessen products can be safely kept for a period two to three times longer than usual.

+4°C: Allows for the safe storage of beverages, keeping them stored at a consistent temperature devoid of outside factors.

**Fresh freeze:** Because of this special section, meat freezes very quickly and does not release its juices when thawed, thereby remaining fresh and delicious. Located in the freezer section, the fresh freeze compartment consists of a covered, removable section with two trays, enhancing food freshness.

**0°C Compartment:** Delicatessen products can be kept two to three times longer than the regular cooling section at a temperature of 0°C. This covered, easy-to-reach and removable section can be put out of use, due to consumers preferences to keep longer products in the cabinet shelves.

**Hygiene and freshness specifications:** Active Fresh Blue Light™ 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".

Ion+: This innovation keeps the air circulating in the refrigerator more hygienic, therefore preserving food longer. The "Ion+" feature eliminates 50% of unwanted odors, 60% of bacteria and 80% of mildew.

Hygiene: The hygiene filter eliminates unwanted odors and bacteria to keep the food fresh.

Silver+: With the help of the silver ion coating on the inner liner of the refrigerator enzymes which help create bacteria are diminished, thereby preventing the formation of harmful micro-organisms, bacteria and mildew.

Anti-bacterial door sealing: The silver ion material embedded in the door sealing serves as an overall shield ensuring more hygienic conditions for the inside of the refrigerator.



Select & Cool Compartment



Double Power





## Washing machine

Arcelik A.S.'s creative R&D engineers, the state-of-the-art 8124 SJS model washing machine features Super Mini 14-minute, Express 30-minute and Express 58-minute cycles. Its special technology enabled this model to win the coveted title of the "world's quickest washing machine". Its maximum 8-kilos capacity and wide range of program settings provide huge savings in both time and energy. The machine's special "Jet System", which soaks the laundry quickly and immediately sprays water and detergent, guarantees the highest washing performance, taking the task of clothes washing to a joyfully higher level.

This new product by Arcelik is equipped with a bright digital LCD display screen showing the program selected, the current stage of the wash and the time remaining until the end of the program. It also has a feature allowing the machine to be programmed up to 24 hours in advance, with an automatic start, providing consumers a wide range of options.

**Energy performance:** Thanks to its 1.36 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. Thus, this feature guarantees the prevention of common user mistakes such as washing synthetic and woolen clothes at high temperatures or spinning them in the wrong cycle.

**Express programs:** Because of its wide range of program choices, up to two kilos of lightly soiled laundry can be washed and ready to dry in just 14 minutes, thanks to the Super Mini 14 program option, which operates at 30°C. The Express 28 program alternative enables the comprehensive cleaning of a full load of 8 kilos of lightly soiled laundry in only 28 minutes at the same temperature. The Express 58 cycle cleans a full 8-kilos load of average-soiled garments at the much higher temperature of 60°C in 58 minutes. Finally, the Express 88 cycle does the same job on a full load of heavily soiled laundry in 88 minutes' time. Additionally, the "Express Function Button" allows for the washing of lightly soiled cotton and synthetic fabrics in even less time while simultaneously saving energy costs.

**Duvet program:** Large, one-piece laundry items such as quilts, bedspreads, goose-feather pillows and blankets are easily and comprehensively washed using this cycle. This program enables water temperatures to remain constant for a minimum of 30 minutes, thus ensuring the total cleaning of heavy items such as comforters, duvets and mattress pads.

**Fashion programs:** Developed for the thorough yet safe washing of more fragile textiles, this cycle features sensitive washing and rinsing mechanics enabling careful cleaning without damaging the delicate texture in fabrics such as velvet, viscose, rayon and printed T-shirts. The result is that clothes perpetually maintain that same good-as-new look as the day they were first purchased.



large drum capacity



aquaround



## Tumble dryer

The Company aims to make tumble dryers as popular in Turkey as they are in Europe. In 2004, the Company broke new ground and launched the first domestic dryer. As of the last quarter of 2007, Tumble Dryer Plant began operations in Çerkezköy with a production capacity of 400,000 per annum.

This unique dryer with heat pump technology is one of the most efficient dryer in the world. By maintaining relatively low temperature and with an advanced drum movement heat pump dryer offers a unique wool program. The dryer's unique sensor drying wool programme will allow you to dry up to 1,5kg wool garments in one cycle. 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.

**Super A energy consumption:** Thanks to a heat pump technology that enables drying without a heater, this machine consumes 2.00 kWh of energy for 6 kilos of laundry and 2.25 kWh for 7 kilos and provides almost 30% in energy savings compared to conventional dryers. Such low energy consumption also means extra care for the environment.

This tumble dryer won the "Eco Top Ten" award at the Germany Eco Institute in 2005. Along with this honor, the Company's heat pump dryers were chosen as the least energy consuming machines in European markets. Also in 2005, this dryer won the 'Plus X Award' at the Innovation category. Because of its unique features and energy efficiency, the heat pump dryer was also chosen as one of the "Best Buys" in Germany and Belgium by Stiftung Warentest and Test Achats, both in 2006.



large capacity

heat pump

wool & silk drying



## Dishwasher

Arcelik is especially proud of having created the first dishwasher in the world that washes dishes in AAA performance, at water temperatures between 40°C to 70°C, from 62 to 127 minutes and, thanks to its 11 sensors, automatically selects its own program according to the quantity and soil-level of the dishes, all with the touch of a single button. The "SmarTouch" dishwasher serves the consumers every need and comfort with its "smart" technology, high performance, unique design and environment friendliness.

**Innovative technology:** The SmarTouch dishwasher functions by simply loading the dishes and touching a single button. Without the need to select a program, the machine's 11 sensors make the necessary adjustments according to the soil level, amount of the dishes and water hardness level, and automatically choose the correct cycle. Its variable motor cycle technology enables the machine to wash the heavily soiled cookware in the lower rack with high pressure, while using low pressure to protect the glassware placed above.

**Silence:** With its 42dBA "Super Silence" feature, this dishwasher offers more a comfortable environment for consumers.

**Safety:** The advanced overflow safety system prevents unexpected over flowing, thereby providing more security and comfort to consumers. An automatic lock button system offers safety for children and the warning indicators for filter plugged, an door open, and salt and rinse aid indicators are more helpful and practical for users.

**Environment friendly:** The SmarTouch dishwasher's special AAA performance, the first of its kind in the world, determines the minimum amount of water and energy needed to wash dishes in the best way. Without a doubt, the resulting savings in both water and energy consumption make this a most environmentally friendly product.

**Ergonomics and ease-of-use:** The bright LCD display and One Touch button enables single-point control and selection. By automatic program selection according to the soil level and the amount of the dishes and the water hardness level, it saves energy and time. It is able to distinguish dirtier dishes from those that are only lightly soiled, as well as the quantity of dishes in the machine, and selects the most suitable program. Furthermore, the LCD display constantly displays the time remaining and also shows the consumer the amount of water and energy consumption at the end of the program. In addition to all this, the machine provides high ergonomic value thanks to its adjustable upper racks (even when loaded), flexible mug shelves, the folding plate supports in the lower rack, and the baby bottle and glass holders.



brushless  
DC motor



aquasafe  
plus



autowash  
system



one touch  
control



finger  
proof



42  
dBA  
silent  
wash



## Built-in oven

In order to meet the high demand in the rapidly growing built-in market, multi-functional and high-tech electronic ovens are designed by Arcelik A.S.'s Industrial Design Engineers, and produced at the Bolu Cooking Appliances Plant. Arcelik built-in ovens feature a special Inox coating, which allows for easy cleaning with merely a small piece of dry material, making the removal of spots like stains and fingerprints a simple task.

Moreover, this high-tech cooker boasts a range of special features making it extremely easy to use. This 55-liter, multi-functional product comes equipped with a "Cooking Guide" offering the most suitable cooking settings 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 settings.

**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, unique among all cookers, helps save both energy and time by cooking three different meals simultaneously, on three different trays or levels, without mixing their flavors.

**Telescopic rail system:** The Telescopic Rail System is designed for the safety of the consumer and for ease-of-use.

**Ready-made food menu:** The oven's "Cooking Guide" automatically adjusts the cooker to the proper setting for 36 different kinds of ready-made food programs. Furthermore, it provides useful suggestions about the usage of temperature, cooking time and the place of the dishes in the oven, thus enabling just about anybody to cook up perfect tastes.

**Memory features:** The cooker's memory system allows for the storage of four different cooking settings in the data bank, facilitating the cooking for popular items and frequently cooked meals.



multi-functional



Step-by-step cooking



## FOR THE COMMUNITY

"For sustainable economic growth, we also work hard in social areas."



# Our future; well-educated young generation

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 these 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 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" program in 2004. Conducted jointly with the Ministry of Education, this program targets primary school students.

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

Focused on the personal development of students, the program consists of five projects: "Our Rooms", "They Were Once Children", "Support and Education for Teachers", the "Arçelik Education Scholarship" and the "Volunteer Family Association".

This educational development initiative aims to contribute towards helping to properly raise the 200.000 children studying at almost 300 regional primary boarding schools to become Turkey's modern and self-confident next generation. As such, the Company cooperates with NGOs to raise social awareness and reach wider masses.

The NGOs contributing to this program include:

- The Vehbi Koç Foundation (VKV)
- The Educational Volunteers Foundation of Turkey (TEGV)
- Mother Child Education Foundation (AÇEV)
- The Private Sector Volunteers Foundation (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

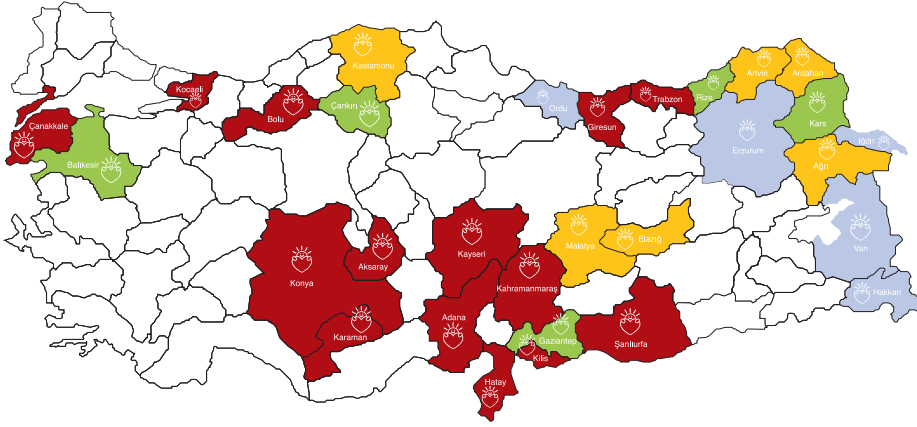
As they grow up, children follow the example of the individuals around them. These role models influence children's personalities and future goals. With this project, children meet successful individuals and are given the message that each one of them is a precious individual and can be successful if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

### Volunteer Family Association

One of the core values of the "Standing United for Education with Arçelik" projects 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 Volunteer Family Association is a group of volunteers who work as monitoring and aid units in regional primary boarding schools.







## Provinces covered by the program

- Pilot Provinces in the 2004-2005 Academic Year: Van, Hakkari, Iğdır  
Provinces added subsequently: Erzurum, Ordu.
- The 2004-2005 Academic Year: Gaziantep, Kars, Rize, Çankırı, Balıkesir.
- The 2005-2006 Academic Year: Çanakkale, Kocaeli, Bolu, Konya, Karaman, Aksaray, Kahramanmaraş, Kayseri, Adana, Trabzon, Şanlıurfa, Hatay, Giresun, Kilis.
- The 2006-2007 Academic Year: Ağrı, Artvin, Ardahan, Kastamonu, Malatya, Elazığ.

## 2006-2007 Academic year

Total number of schools included in the program: 142 schools in 30 provinces  
Total number of students included in the program: 115,000 students

## Target for the 2007-2008 academic year

In 2008, by including Amasya, Ankara, Antalya, Çorum, Isparta, İzmir, Kırıkkale, Karabük, Manisa, Niğde, Samsun, Tokat and Uşak, the "Standing United for Education with Arçelik" program aims to reach 37 regional primary boarding schools in 13 provinces as well as 179 regional primary boarding schools in 43 provinces all over Turkey.

## Standing united for education with Arçelik

### Activities in 2007

The program was launched in 142 schools in 30 provinces including Ağrı, Artvin, Ardahan, Kastamonu, Elazığ and Malatya.

- March 12, 2007-The Volunteer Team from the Ankara Dishwasher Plant took students from the Primary Boarding School of Bala, Ankara to visit "The Genius of Leonardo" exhibition.
- April 23, 2007-The Bala Regional Primary Boarding School students visited the Ankara Dishwasher Plant.
- April 23, 2007-The Volunteer Team from the Bolu Cooking Appliances Plant organized a painting competition on the occasion of the annual National Sovereignty and Children's Day at the Mudurnu Regional Primary Boarding School.
- April 26, 2007-The Volunteer Team from the "After Sales Services and Logistics Directorate organized a competition of poetry and painting at the Erzurum, İlica Yavuz Selim Regional Primary Boarding School as an extension of the April 23rd annual National Sovereignty and Children's Day festivities.
- April and May-Volunteers from Arçelik A.Ş.'s Sales Departments visited 101 regional primary boarding schools to learn more information concerning the recently completed "Our Rooms" project from the management of the schools.
- May 01-16, 2007-All the painting equipment and stationery gathered by

the campaigns organized at Arçelik A.Ş. plants and facilities was distributed to regional boarding schools in the provinces of Van, Balıkesir and Kocaeli.

- May 11, 2007-The 7<sup>th</sup> and 8<sup>th</sup> grade students from the Bolu Mudurnu Regional Primary Boarding School visited the Cooking Appliances Plant.
- May 18, 2007-A painting, poetry and composition competition under the theme of "My Dream Job" was organized and volunteer teams from the Cooking Appliances Plant and the campus of Sütluçe visited the Bolu Mudurnu Regional Primary Boarding School and distributed awards.
- May 25, 2007-The Cooking Appliances Plant Volunteer Team listened to the concert of The Choir and Mandolin Team of the Bolu Mudurnu Regional Primary Boarding School.
- May 26, 2007-The Volunteer Team from the Çayırova Washing Machine Plant renovated the water heating system of the Akmeşe Regional Primary Boarding School in Kocaeli.
- May 29, 2007-The Volunteer Team from the Çayırova Washing Machine Plant organized a seminar on the topic of "Water and Hygiene" during their visit to the Akmeşe Regional Primary Boarding School in Kocaeli.
- May 30, 2007-The Volunteer Team from the Ankara Dishwasher Plant visited a festival at the Bala Regional Primary Boarding School and distributed small household appliances to the students as gifts.
- May 30, 2007-The Volunteer Team from the Bolu Cooking Appliances Plant visited the Bolu Kıbrısçık Regional Primary Boarding School and donated equipment for their sports and folklore teams.
- June 30, 2007-The "Our Rooms" project was completed at the Ağrı Regional Primary Boarding Schools.
- July 30, 2007-The "Our Rooms" project was completed at the Kastamonu, Artvin and Ardahan Regional Primary Boarding Schools.
- September, 2007-The "Our Rooms" project was completed at the Elazığ and Malatya Regional Primary Boarding Schools.
- October 15-November 15, 2007-More than 700 students in Van, Elazığ, Malatya, Kahramanmaraş, Konya and İzmit region watched the "Sizinkiler Dünya Kaç Bucak" children's play sponsored by Koç Holding.
- October 5-November 14, 2007-The measurement and evaluation work for the "Standing United for Education with Arçelik" project took place at seven regional primary boarding schools in the provinces of Kocaeli, Balıkesir, Bolu, Van and Erzurum, with a total participation of 2.062 students, 131 teachers and 23 managers.
- November 20, 2007-Arçelik scholarships granted to eligible students.





# We are sensitive to the needs of the community

## The Arçelik family and volunteerism

Arçelik believes that the key to solving social problems is “people”, and the 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 social responsibility, “Arçelik Volunteer Teams” support the “Standing United for Education with Arçelik” program with voluntary activities.

- March 12, 2007-The Volunteer Team from the Ankara Dishwasher Plant together with students from the Bala Regional Primary Boarding School visited “The Genius of Leonardo” exhibition.
- A Volunteer Team consisting of participants from the Consumer Services and Logistics Directorate and Arçelik A.Ş. authorized dealers and services visited the Ilica Yavuz Selim Regional Primary Boarding School and distributed the awards to the successful students in the Painting and Poetry Competition on the occasion of the annual National Sovereignty and Children's Day festivities.
- The Volunteer Team from the Ankara Dishwasher Plant organized a plant visit for the 8<sup>th</sup> grade students from the Bala Regional Primary Boarding School. The students visited the production lines and were given information about different professions.
- April and May 2007-Volunteers from the Arçelik and Beko Sales Departments visited 101 regional primary boarding schools in 24 cities and were briefed by school administrators concerning the recently completed “Our Rooms” projects. They also joined several activities together with students organized within the scheme.



- May 19, 2007-The Volunteer Team from Arçelik A.Ş. Sütlüce organized a painting, poetry and composition competition under the theme of "My Dream Job" at the Mudurnu Regional Primary Boarding School and distributed awards to the winning students.
- May 11, 2007-The 7<sup>th</sup> and 8<sup>th</sup> grade students of the Mudurnu Regional Primary Boarding School visited the Bolu Cooking Appliances Plant. Aiming to help students in making career decisions for the future, Arçelik volunteers from various working departments oriented students concerning their professions.
- May 01-16, 2007-All the painting equipment and stationery gathered by the campaigns organized at Arçelik A.Ş. plants and facilities was distributed to regional boarding schools in the provinces of Van, Balıkesir and Kocaeli.
- May 18, 2007-The Volunteer Team from the Bolu Cooking Appliances Plant and Arçelik A.Ş. Sütlüce listened to the concert of The Choir and Mandolin Team from the Mudurnu Regional Primary Boarding School.
- May 19, 2007-The Volunteer Team from the Çayırova Washing Machine Plant installed a hot water solar system at the girls' dormitory in the Kocaeli, Akmeşe Regional Primary Boarding School.

## Arçelik A.Ş. Employees and Authorized Dealers serve as "Vocational High School Coaches"

To contribute to the employment of the educated work force in the industrial and service sectors, as well as help form the young population of Turkey into a qualified work force, the "Vocational High Schools: Issues of the Country" social responsibility project was initiated by Koç Holding in 2006. It was warmly embraced and supported by Arçelik's employees and authorized dealers in 2007.

The project, which offers scholarships to vocational high school students during their formative years, utilizes Arçelik employees as coaches to provide a hands-on approach in guiding the students and following up on them to ensure their positive development.

Choosing voluntarily to work all over Turkey to encourage the students in their education, the Arçelik employees and the authorized dealers involved in the project, received initial training as coaches for the vocational high school students.

These vocational high school coaches will be in constant communication with the students and will meet up with them to share their knowledge and experience. In 2007, the coaches began working with 273 students on scholarship at 24 different schools in 21 cities.





## Arçelik A.Ş. works for "For My Country" Project

Together with "For My Country" Project Arçelik employees and authorized dealers of Koç Holding are continuously spreading social responsibility awareness to every corner of Turkey.

In the cities where Arçelik has plants and facilities, its staff members are involved in numerous activities in the regional primary boarding schools which are a part of the Standing United for Education with Arçelik program of the annual "For My Country" week.

On May 29, 2007, the Volunteer Team from the Çayırova Washing Machine Plant organized a seminar on "Hygiene, water and cleanliness" for the Kocaeli, Akmeşe Regional Primary Boarding School students, who face life having to grow up away from their parents. After the seminar, the students applied the principles of personal cleanliness by washing their hands and faces and brushing their teeth properly, all under that careful and loving guidance of the Arçelik volunteers.

On May 30, 2007, the Volunteer Team from the Bolu Cooking Appliances Plant visited the Bolu Kırıscık Regional Primary Boarding School and presented students with their gifts of equipment for the sports and folklore teams.

On May 30, 2007, the Volunteer Team from the Eskişehir Refrigerator and Compressor Plant organized a painting competition on "Global Warming" to attract the attention of the students of Erdal Abacı Regional Primary Boarding School, to the need to protect our diminishing natural resources and to share with them the precautions necessary to combat the growing problem of global warming. During this visit the volunteers also passed out awards to the winners of the competition.

May 30, 2007, the Volunteer Team from the Ankara Dishwasher Plant visited a festival at the Bala Regional Primary Boarding School and distributed small household appliances to the students as gifts. Besides its participation in essential educational activities, Arçelik A.Ş.

affirms that one of our fundamental responsibilities is to protect our national resources and environment and to do everything possible to help the community in which we work to become aware of the importance of these issues.

Towards this end, and emboldened by the conviction that working collectively is the only way to save our world from ecological destruction, Arçelik A.Ş. employees come together during the last week of May every year to work with the Turkish Maritime Environmental Protection Agency (Turmepa) in its annual environmental awareness campaign known as the "For My Country" project.

Arçelik's activities in this endeavor, under the theme of "Let's do something to save our environment before it's too late", was awarded by Koç Holding in 2007 as the year's most successful social responsibility effort.

Within the scope of the "For My Country" project, Arçelik's authorized dealers accomplished many wide ranging projects in 2007 to help address important issues and needs within the community. Towards this end, these volunteers renovated the gardens of the Children's School for the Mentally Handicapped, constructed "Medical Diagnoses and Treatment Centers" in State hospitals, restored day care centers and nurseries and donated hearing aids for children with hearing disabilities.



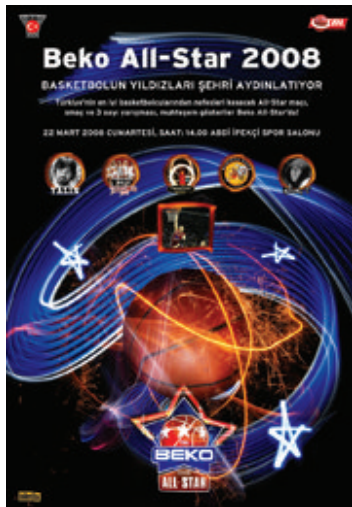


## Culture and arts

Arçelik A.Ş. has always sought to use its creativity and technology to develop products that exceed the expectations of customers. This commitment to excellence is also reflected in its Company-sponsored social responsibility projects, which endeavor to integrate the values of creativity and technology.

In keeping with this philosophy, Arçelik supported the transfer of the world famous "The Genius of Leonardo" exhibition, which featured interactive reproductions of the great master's inventions, from Istanbul to Ankara's Middle East Technical University for its February 24 to March 24, 2007 exhibition there.

The exhibition primarily consisted of life-size, interactive replicas of 40 unique and functional machines, designed and built by expert historians and engineers based on the inventor's original drawings. Approximately 114,000 people visited the exhibition in Istanbul during its two-month stint in the city while more than 60,000 attended the one-month show in the nation's capital of Ankara.



## 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 future generations. The Company has supported various sports activities for many years in Turkey in order to promote and make them more popular.

This commitment led Arçelik to decide in 2006 to undertake the sponsorship of the Turkish Basketball League for four 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 Basketball League itself, which is a good training ground for basketball stars representing Turkey abroad, especially in the NBA.

Arçelik A.Ş., in order to encourage the speedy training of sportsmen in Turkey and to introduce basketball to the younger generation, is hosting the "All Star" activities organized every year and also lends support to the "The Player of The Year" who is elected by basketball fans and coaches.



# Agenda

## Arçelik A.Ş. Ordinary Meeting of Shareholders 03 April 2008

1. Opening and the Election of the Presidential Board
2. Presentation and negotiation of the Reports of the Board of Directors, the Auditor and Independent Audit Organization Basaran Nas Independent Audit Organization and Public Accountancy and Chartered Accountancy (a member of PricewaterhouseCoopers); due approval, approval after amendment or disapproval of the suggestion of the Board of Directors regarding the Balance Sheet and Income Statement for year 2007.
3. Discharging the Members of the Board of Directors and Auditors due to the accounts and activities of the Company for the year 2007.
4. Provide our shareholders with necessary information regarding our dividend policy in line with corporate governance policies.
5. Due approval, approval after amendment or disapproval of the suggestion of the Board of Directors regarding the distribution of profits.
6. Determining the number of the members of the Board of Directors who shall function until the Ordinary General Assembly in order to analyze the activities and accounts for the year 2008, and electing the new members.
7. Reappointment or replacement of the auditors to act until the Ordinary General Assembly to meet in order to analyze the activities and accounts for the year 2008, and electing the new members.
8. Determining the gross remuneration for the Chairman and the members of the Board of Directors and Auditors.
9. Informing the General Assembly about the donations and aids provided to the associations and foundations in 2007 for social relief purposes.
10. Resolution of the temporary Article change regarding the Article 7 concerning "Authorized Capital" and Article 9 concerning "Issued Capital Increase" provided that the Capital Markets Board and Department of Trade and Industry have empowered the decisions before the Shareholders Meeting.
  11. Approval of the Independent Audit Organization chosen by the Board of Directors in order to analyze the activities and accounts in 2008 under the Communiqué published by the Capital Market Board about the Standards for Independent Audits in Capital Market.
  12. Due resolutions as to authorizing the Board of Directors for granting advance payments of dividends to the shareholders from the profit created during interim periods and as to deducting such advance payments of dividends to be granted in 2008 from the extraordinary reserve funds included in the previous balance sheet in case sufficient profits are not created or losses are created at the end of the relevant account period under Article 15 of the Capital Market Act and provisions of the communiqué of the Capital Market Act and provisions of the communiqué of the Capital Market Board with Serial IV and No:27, provided that such actions shall be restricted to year 2008 only.
  13. Granting an authority to the members of the Board of Directors as per the Articles Nr. 334 and 335 under the Turkish Commercial Code to enable them to engage in the works within the scope of the company business alone or acting for third parties, and to become shareholders to such companies, and to carry out others works and make other formalities.
  14. Authorization for the Presidential Board concerning the General Assembly Minutes be signed by the Presidential Board and such signature be sufficient.
  15. Wishes.

# Proposal for profit distribution

Esteemed Shareholders,

The financial statements of the Company are prepared according to the Financial Reporting Standards of the Capital Markets Board and UMS/IFRS Consolidated regulations.

The balance sheet and income statement for 2007 have been prepared according to UMS/IFRS and made available for your examination for the last twenty-one days.

Our Company's consolidated net profit in 2007 was 157.764.711.00 TRY.

After setting aside 5% statutory reserves amounting to TRY 6.741.577.74 pursuant to Article 466 of the Turkish Commercial Code and deducting the profits of affiliates and subsidiaries whose General Shareholders Meetings have not decided to distribute dividends, we obtain a distributable profit of TRY 91.316.485.52 according to the Capital Market Law and related regulations. Adding TRY 10.379.712.40 in grants to tax-exempt foundations and societies in 2007, we obtain the sum of TRY 101.696.197.92 which is the basis of the first dividend. Our statutory records contain TRY 572.470.946.40 in distributable profit, with TRY 166.773.016.55 of this amount coming from the profit for the period.

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

TRY 6.741.577,74	TRY 5%	primary reserves
TRY 99.990.000,00	TRY	gross dividend to shareholders
TRY 7.999.200,00	TRY 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 Shareholders Meeting for funding the TRY 99.990.000.00 cash dividend.

We also ask for your approval:

- for paying a cash dividend at the rate of 25.0% (which corresponds to a TRY 0.250 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 25.0% to the other shareholders, which corresponds to TRY 0.250 gross and TRY 0.21250 net cash dividend for one share certificate with a nominal value of TRY 1.00; and
- for starting dividend payments on Monday, May 12, 2008.

We wish that 2008 will be a prosperous year for Turkey and for our Company.

Yours sincerely,



**RAHMI M. KOÇ**  
Chairman

# Amendments to the Articles of Association

## Our Company's Board of Directors decided on March 6, 2008;

1- To increase the 500.000.000.00 (five hundred million) TRY authorized capital to 1.500.000.000.00 (one billion five hundred million) TRY since it was foreseen that the cash increases or capital increases from the internal sources in 2008 or the following years could exceed the authorized capital. The new authorized capital will be valid for a period of five years according to the Capital Markets Board and Communique Series IV No. 38. During this period, the registered capital ceiling can be increased again, if necessary. In line with all these, Article 7 of the Company's Articles of Association concerning "Registered Capital" will be amended below and the necessary preliminary permissions of the Capital Markets Board will have been obtained.

2- The Company decided to amend Article 9 of the Articles of Association concerning "Increasing the Paid-in Capital" to restrict shareholders' new share rights. The necessary permissions have been obtained from the Capital Markets Board and the Ministry of Industry and Trade.

## Former Text Registered Capital

### Article-7

The Company accepted the registered capital system in accordance with the terms of Law Nr. 2499 and switched to this system with the permission of the Capital Markets Board dated 28 October 1982 and numbered 61.

The registered capital of the Company is 500,000,000.- (Five hundred million) TRY which is divided into 50,000,000,000 shares each of which has a nominal value of 1 (One) YKr.

The issued capital of the Company is 399,960,000.00 (Three hundred ninety-nine million nine hundred and sixty thousand) TRY paid in full. The issued capital is divided into 39,996,000,000 shares each of which has a nominal value of 1 (One) YKr.

Board of Managers may increase the capital up to the above-written amount of capital if it is necessary, by means of registered shares in the form of shared denominations worth of 1 YKr (One YKr) or multiples of the same provided that it shall issue denominations in the ratio and

amount set forth by the Capital Markets Board in order to encourage and increase the value of small savings as to each shall represent shares with a nominal value of 1 YKr (One YKr). Prices of the sold share certificates shall be fully paid in cash.

## New Text Registered Capital

### Article-7

The Company accepted the registered capital system in accordance with the terms of Law Nr. 2499 and switched to this system with the permission of the Capital Markets Board dated 28 October 1982 and numbered 61.

The registered capital of the Company is 1,500,000,000.- (One billion and five hundred million) TRY which is divided into 150,000,000,000 shares each of which has a nominal value of 1 (One) YKr.

The permission for the registered capital ceiling granted by the Capital Markets Board shall be valid between the years 2008 and 2012 (for five years). In order the Board of Managers to take another decision for capital increase after the year 2012 even if the permitted registered capital ceiling could not be achieved by the year 2012, it must get authorization from the General Assembly for an extension period for getting another permission from the Capital Markets Board for the previously allowed ceiling or for the amount of a new ceiling. In case of failure in getting the mentioned authorization, such company shall be deemed excluded from the registered capital system.

The issued capital of the Company is 399,960,000.00 (Three hundred ninety-nine million nine hundred and sixty thousand) TRY paid in full. The issued capital is divided into 39,996,000,000 shares each of which has a nominal value of 1 (One) YKr.

Board of Managers may increase the capital up to the above-written amount of registered capital between the years 2008 and 2012 if it sees necessary and in accordance with the terms of the Capital Markets Law by means of issuing registered shares each of which has a nominal value of 1 YKr (One YKr). Prices of the sold shares shall be fully paid in cash. New shares cannot be issued unless the issued shares are sold and fully paid in cash.

Shares representing the capital shall be followed from the registrations within the frame of denomination principles.

## Former Text Increasing The Issued Capital

Article 9-  
Preference stock or shares above their nominal values may be issued in case of increasing the issued capital by means of issuing new share certificates by the Board of Managers up to the registered capital.

In case of increasing the issued capital, existing shareholders shall have pre-emption rights to buy the share certificates to be issued newly. Article 394 of Turkish Commercial Code shall apply for practicing the pre-emption rights.

In cases where the issued capital is increased by converting the extraordinary reserves and Reevaluation funds and alike that are anticipated by the regulations into capital, each shareholder shall have free new shares in the ratio of its shares in the Company.

## New Text Increasing The Issued Capital

Article 9-  
Preference stock or shares above their nominal values may be issued in case of increasing the issued capital by means of issuing new shares by the Board of Managers up to the ceiling of the registered capital.

In case of increasing the issued capital, existing shareholders shall have pre-emption rights to buy the shares to be issued newly. Article 394 of Turkish Commercial Code shall apply for practicing the pre-emption rights. Board of Managers may restrict rights of existing shareholders for buying new shares.

In cases where the issued capital is increased by converting the extraordinary reserves and Reevaluation funds and alike that are anticipated by the regulations into capital, each shareholder shall have free new shares in the ratio of its shares in the Company.

## Former Text Provisional Clause

Value of each share has been altered as to be 1 YKr from a nominal value of 5,000.-TL within the frame of the terms of the Law About Amendments in Turkish Commercial Code, Nr. 5274. Therefore,

modification shall be executed by giving a share with a nominal value of 1 YKr against every two shares with a nominal value of 5,000.-TL each. A fraction bill shall be given to the shareholders whose remaining shares are not sufficient to buy another share with a nominal value of 1 YKr after execution of the above-mentioned amendment and such fraction bills shall be exchanged by new shares in case of submitting these bills after completing them to a whole. With regard to the mentioned alteration, shareholders' rights arising from the shares they own are reserved.

Share certificates from composition 36 to 49 representing the capital shall be combined with composition 50 shares and replaced because of changing the shares. With regard to the transactions for composition combination and replacement, shareholders' rights arising from the shares they own are reserved.

Exchanging transactions for the share certificates shall commence by the order of the Board of Managers within the frame of relevant regulations following execution of denomination of capital market instruments.

## New Text Provisional Clause

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

Transactions for exchanging of shares are being realized within the frame of regulations for denomination of capital market instruments.



# ARÇELİK ANONİM ŞİRKETİ

Convenience translation  
into English of consolidated  
financial statements  
at 31 December 2007  
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 2007 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 2007 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, 13 March 2008

Yours truly,

**Mert Şaban Bayram**



**Serkan Özyurt**



CONVENIENCE TRANSLATION INTO ENGLISH OF  
INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

Başaran Nas Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
a member of  
PricewaterhouseCoopers  
BJK Plaza, Süleyman Seba Caddesi  
No: 48 B Blok Kat 9 Akaretler  
Beşiktaş 34357 İstanbul-Türkiye  
www.pwc.com/tr  
Telephone +90 (212) 326 6060  
Facsimile +90 (212) 326 6050

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 joint-ventures (collectively referred to as the "Group") which comprise the consolidated balance sheet as of 31 December 2007 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 standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the consolidated financial statements are free from material misstatement.

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

Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Arçelik A.Ş. as of 31 December 2007, and 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

5. The financial reporting standards described in Note 2 (defined as "CMB Financial Reporting Standards") to the consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005 and presentation of basic 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 of the Group in accordance with IFRS.

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



Haluk Yalçın, SMMM  
Partner

İstanbul, 10 March 2008

## ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS  
AT 31 DECEMBER

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

	Notes	2007	2006
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	302.492	288.796
Marketable securities (net)	5	-	-
Trade receivables (net)	7	2.273.106	2.287.127
Lease receivables (net)	8	-	-
Due from related parties (net)	9	174.775	242.850
Other receivables (net)	10	-	-
Biological assets (net)	11	-	-
Inventories (net)	12	1.296.726	1.275.026
Construction contract receivables (net)	13	-	-
Deferred tax assets	14	-	-
Other current assets	15	91.283	113.264
<b>Total current assets</b>		<b>4.138.382</b>	<b>4.207.063</b>
<b>Non-current assets</b>			
Trade receivables (net)	7	18.655	13.693
Lease receivables (net)	8	-	-
Due from related parties (net)	9	-	36.144
Other receivables (net)	10	-	-
Financial assets (net)	16	924.981	816.084
Goodwill/negative goodwill (net)	17	3.377	1.788
Investment properties (net)	18	3.463	2.786
Property, plant and equipment (net)	19	1.207.882	1.115.169
Intangible assets (net)	20	176.247	126.881
Deferred tax assets	14	53.812	58.437
Other non-current assets	15	-	-
<b>Total non-current assets</b>		<b>2.388.417</b>	<b>2.170.982</b>
<b>Total assets</b>		<b>6.526.799</b>	<b>6.378.045</b>

The consolidated financial statements as at and for the year ended 31 December 2007 have been approved for issue by the Board of Directors on 10 March 2008 and signed on its behalf by Faith Kemal Ebiclioglu, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director.

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



## ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS  
AT 31 DECEMBER

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

	Notes	2007	2006
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short-term bank borrowings (net)	6	1.300.864	962.858
Current maturities of long-term bank borrowings (net)	6	775.510	306.269
Lease payables (net)	8	85	161
Other financial liabilities (net)	10	63.907	83.647
Trade payables (net)	7	554.237	812.300
Due to related parties (net)	9	137.591	355.304
Advances received	21	67.559	54.722
Construction contracts progress billings (net)	13	-	-
Provisions	23	4.741	2.266
Deferred tax liabilities	14	-	-
Other current liabilities (net)	15	252.660	301.048
<b>Total current liabilities</b>		<b>3.157.154</b>	<b>2.878.575</b>
<b>Non-current liabilities</b>			
Long-term bank borrowings (net)	6	995.816	1.047.735
Lease payables (net)	8	56	91
Other financial liabilities (net)	10	3.559	10.867
Trade payables (net)	7	-	36.144
Due to related parties (net)	9	60.038	76.848
Advances received	21	-	-
Provisions	23	56.155	52.852
Deferred tax liabilities	14	54.494	34.666
Other non-current liabilities (net)	15	53.797	103.730
<b>Total non-current liabilities</b>		<b>1.223.915</b>	<b>1.362.933</b>
<b>Total liabilities</b>		<b>4.381.069</b>	<b>4.241.508</b>
<b>MINORITY INTEREST</b>	<b>24</b>	<b>28.277</b>	<b>32.890</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	25	399.960	399.960
Treasury shares	25	-	-
Capital reserves	26	1.189.733	1.079.829
Share premium	26	-	-
Share cancellation gains		-	-
Revaluation fund		-	-
Financial assets fair value reserve (net)		440.749	330.845
Inflation adjustment to shareholders' equity		748.984	748.984
Profit reserves	27	194.848	77.180
Legal reserves		97.240	61.759
Statutory reserves		-	-
Extraordinary reserves		114.192	-
Special reserves		-	-
Investment and property sales income to be added to the capital		-	-
Translation reserves		(16.584)	15.421
Net income for the year		157.765	324.147
Prior years' income	28	175.147	222.531
<b>Total shareholders' equity</b>		<b>2.117.453</b>	<b>2.103.647</b>
<b>Total shareholders' equity and liabilities</b>		<b>6.526.799</b>	<b>6.378.045</b>
<b>Commitments and contingent liabilities</b>	<b>31</b>		

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

## ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF INCOME  
AT 31 DECEMBER

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

	Notes	2007	2006
Net sales	36	6.622.544	6.958.683
Cost of sales (-)		(4.851.025)	(5.115.635)
<b>Gross operating profit</b>		<b>1.771.519</b>	<b>1.843.048</b>
Operating expenses (-)	37	(1.254.278)	(1.349.263)
<b>Net operating profit</b>		<b>517.241</b>	<b>493.785</b>
Other income and gains	38	50.750	48.689
Other expenses and losses (-)	38	(48.648)	(84.935)
Financial income / (expenses), net	39	(335.053)	(117.590)
Income/(Loss) from associates, net	16	14.235	22.492
<b>Income before monetary loss, taxes and minority interest</b>		<b>198.525</b>	<b>362.441</b>
Monetary loss	40	-	-
<b>Income before tax and minority interest</b>		<b>198.525</b>	<b>362.441</b>
Minority interest	24	20.558	33.491
Income before tax		219.083	395.932
Taxes on income	41	(61.318)	(71.785)
<b>Net income</b>		<b>157.765</b>	<b>324.147</b>
<b>Earnings per share (TRY)</b>	<b>42</b>	<b>0,39445</b>	<b>0,81045</b>

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)

	Share capital	Share premium	Capital reserves		Profit reserves			Retained earnings			Shareholders' equity
			Financial assets fair value reserve	Inflation adjustment to shareholder's equity	Legal reserves	Extraordinary reserves	Translation reserves	Net income for the year	Prior years' income	Total	
<b>Balance at 1 January 2006</b>	<b>399.960</b>	<b>-</b>	<b>257.486</b>	<b>748.984</b>	<b>31.359</b>	<b>-</b>	<b>(26.841)</b>	<b>259.913</b>	<b>383.030</b>	<b>642.943</b>	<b>2.053.891</b>
Transfers	-	-	-	-	-	-	-	(259.913)	259.913	-	-
Dividends paid	-	-	-	-	30.400	-	-	-	(230.380)	(230.380)	(199.980)
Cumulative translation differences	-	-	-	-	-	-	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 for the year	-	-	-	-	-	-	-	324.147	-	324.147	324.147
<b>Balance at 31 December 2006</b>	<b>399.960</b>	<b>-</b>	<b>330.845</b>	<b>748.984</b>	<b>61.759</b>	<b>-</b>	<b>15.421</b>	<b>324.147</b>	<b>222.531</b>	<b>546.678</b>	<b>2.103.647</b>
<b>Balance at 1 January 2007</b>	<b>399.960</b>	<b>-</b>	<b>330.845</b>	<b>748.984</b>	<b>61.759</b>	<b>-</b>	<b>15.421</b>	<b>324.147</b>	<b>222.531</b>	<b>546.678</b>	<b>2.103.647</b>
Transfers	-	-	-	-	-	114.192	-	(324.147)	209.955	(114.192)	-
Dividends paid	-	-	-	-	35.481	-	-	-	(235.461)	(235.461)	(199.980)
Transfers to minority interest (Note 24)	-	-	-	-	-	-	-	-	(21.878)	(21.878)	(21.878)
Financial assets fair value gain (net)	-	-	109.904	-	-	-	-	-	-	-	109.904
Cumulative translation differences	-	-	-	-	-	-	(32.005)	-	-	-	(32.005)
Net income for the year	-	-	-	-	-	-	-	157.765	-	157.765	157.765
<b>Balance at 31 December 2007</b>	<b>399.960</b>	<b>-</b>	<b>440.749</b>	<b>748.984</b>	<b>97.240</b>	<b>114.192</b>	<b>(16.584)</b>	<b>157.765</b>	<b>175.147</b>	<b>332.912</b>	<b>2.117.453</b>

(\*) Related explanation is disclosed in Note 32.

## 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	2007	2006
<b>Operating activities:</b>			
Income before tax		219.083	395.932
Minority interest		(20.558)	(33.491)
<i>Adjustments to reconcile net cash provided from operating activities to income before tax</i>			
Increases and decreases in accruals and provisions	43	(60.160)	189.594
Depreciation and amortisation	18, 19, 20	144.487	156.308
Interest income	39	(21.313)	(19.395)
Interest expense	39	379.422	189.046
Income from associates (net)	16	(14.235)	(22.492)
Losses from sales of tangible and intangible assets (net)	38	601	(636)
Net loss/(gain) from sales of financial assets	38	1.234	(5.135)
<b>Net cash provided by operating activities before changes in operating assets and liabilities</b>		<b>628.561</b>	<b>849.731</b>
Changes in operating assets and liabilities (net)	43	(469.030)	(884.335)
Corporate taxes paid	41	(38.818)	(123.279)
<b>Net cash provided from/used in operating activities</b>		<b>120.537</b>	<b>(157.883)</b>
<b>Investing activities:</b>			
Acquisition of tangible and intangible assets		(317.862)	(325.784)
Cash provided from sale of tangible and intangible assets		9.575	9.487
Cash outflow due to acquisition of subsidiaries	32	(7.877)	(190.032)
Cash provided from sale of financial assets		1.598	9.495
Translation differences (net)		1.821	15.446
<b>Net cash used in investing activities</b>		<b>(312.745)</b>	<b>(481.388)</b>
<b>Financing activities:</b>			
Dividends paid	9	(203.265)	(209.690)
Dividends received	9	3.320	3.240
Interest paid		(353.045)	(182.046)
Interest received		21.313	19.896
Increase in bank borrowings (net)		724.658	1.059.794
Increase/(decrease) in held-to-maturity investments (net)		12.747	(56.647)
<b>Net cash provided from financing activities</b>		<b>205.728</b>	<b>634.547</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>13.696</b>	<b>(4.724)</b>
<b>Cash and cash equivalents as of 1 January</b>		<b>288.796</b>	<b>293.520</b>
<b>Cash and cash equivalents as of 31 December</b>		<b>302.492</b>	<b>288.796</b>

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



**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

(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 twelve manufacturing plants in Turkey, Romania, Russia and China. The Company is a member of the Koç Group of companies, which holds a majority stake in the Company.

The Company's head office is located at:  
Karaağaç Caddesi No: 2-6  
Sütlüce 34445 Beyoğlu  
İstanbul / 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 2007, the publicly quoted shares are approximately 21,29% of the total shares. At 31 December 2007, the principal shareholders and their respective shareholdings in the Company are as follows (Note 25):

	%
Koç Holding A.Ş.	39,14
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi 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
	<b>100,00</b>

The average number of employees of the Group is 17.328 (31 December 2006: 16.701).

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

## ARÇELİK ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

## NOTE 1 - ORGANISATION AND PRINCIPAL ACTIVITIES (Continued)

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
Ardutch B.V. ("Ardutch") (*)	Netherlands	Investment	Holding
Bekodutch B.V. ("Bekodutch")	Netherlands	Investment	Holding
Beko Cesko ("Beko Cesko")	Czech Republic	Sales	Consumer durables/Electronics
Beko Deutschland GmbH ("Beko Deutschland")	Germany	Sales	Consumer durables/Electronics
Beko Electronics España S.L. ("Beko Espana")	Spain	Sales	Consumer durables/Electronics
Beko Elektronik LLC ("Beko Elektronik Russia")	Russia	Production/Sales	Electronics
Beko Elektronik A.S. ("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 Magyarország")	Hungary	Sales	Consumer durables/Electronics
Beko Plc. ("Beko UK")	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
Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China")	China	Production	Consumer durables/Electronics
Elektra Bregenz AG ("Elektra Bregenz")	Austria	Sales	Consumer durables/Electronics
Fusion Digital Technology Ltd. ("Fusion Digital") (***)	U.K.	Technology	Electronics
Raupach Wollert GmbH ("Raupach")	Germany	Technology	Holding
SC Arctic SA ("Arctic")	Romania	Production/Sales	Consumer durables/Electronics

(\*) Merged with Izodutch B.V. in 2007.

(\*\*) Merged with Izocam LLC in 2007.

(\*\*\*) Liquidation in process.

**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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

**NOTE 1 - ORGANISATION AND PRINCIPAL ACTIVITIES (Continued)**

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

(\*) Sold in 2007.

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.

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

**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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

**NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS****2.1 Financial reporting standards**

The consolidated financial statements of Arçelik have been prepared in accordance with the accounting and reporting principles published by the Capital Markets Board ("CMB"), namely "CMB Financial Reporting 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 Financial Reporting 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 Financial Reporting Standards. Accordingly, International Accounting Standard ("IAS") 29 ("Financial Reporting in Hyperinflationary Economies") issued by the 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 10 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.

**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 Financial Reporting 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.



**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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

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

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

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

	2007	2006
Arctic	96,68	96,68
Arcelitalia (*)	100,00	100,00
Ardutch	100,00	100,00
Bekodutch	100,00	100,00
Beko Cesko	100,00	100,00
Beko China (*)	100,00	100,00
Beko Czech	100,00	100,00
Beko Deutschland	100,00	100,00
Beko Elektronik	72,46	72,46
Beko Elektronik Russia	100,00	100,00
Beko Espana	99,97	99,97
Beko France	99,96	99,96
Beko Hungary	100,00	100,00
Beko Magyarorszag	100,00	100,00
Beko Polska	100,00	100,00
Beko Russia	100,00	100,00
Beko Slovakia	100,00	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	100,00
Raupach	100,00	100,00

(\*) Included in the scope of consolidation in 2007

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.

**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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

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

(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 at years ended 31 December:

	2007	2006
Grundig	50,00	50,00
Grundig Australia (*)	-	50,00
Grundig Austria	50,00	50,00
Grundig Benelux	50,00	50,00
Grundig Czech Republic	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 Slovakia	50,00	50,00
Grundig Slovenia	50,00	50,00
Grundig Sweden	50,00	50,00
Grundig Switzerland	50,00	50,00

(\*) Joint control of the Group ceased following the share sales on 10 September 2007, hence the company was excluded from the scope of consolidation as of the aforementioned date.

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 year 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).

**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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

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

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

	2007	2006
Arçelik - LG	45,00	45,00
Koç Tüketici Finans	47,00	47,00
Ram Dış Ticaret	33,50	33,50
Ram Pacific	-	25,00
Tanı Pazarlama	32,00	32,00

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

Available-for-sale investments in which the Group has attributable interests 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 of Subsidiaries for the year 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.

**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 Financial Reporting Standards) to the consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January-31 December 2005 and presentation of basic financial statements and the notes to them. Accordingly, the consolidated financial statements are not intended to present the consolidated financial position, consolidated financial performance and consolidated cash flows in accordance with IFRS.

## ARÇELİK ANONİM ŞİRKETİ

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

#### 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 personel and Board members, in each case together with their families and companies controlled by/or affiliated with them, associated companies and other companies within the Koç Holding group are considered and referred to as related parties (Note 9).

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.

##### 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 calculated by using the effective interest method are recognised as financial income or expenses over the period of credit sale and purchases, and included under financial income and expenses (Note 39).

##### 3.4 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).

##### 3.5 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 Investment property

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



## ARÇELİK ANONİM ŞİRKETİ

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

#### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 3.7 Property, plant, equipment and depreciation

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

Land and land improvements	25
Buildings	30 - 50
Machinery and equipment	11 - 25
Vehicles	4 - 8
Moulds	4 - 7
Fixtures	4 - 10

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the Company. Repairs and maintenance are charged to the statements of income during the financial year in which they are incurred (Note 19).

##### 3.8 Intangible assets

Intangible assets comprise of acquired information systems, trademarks, software, licenses, other identified rights and development costs (Note 3.18). 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 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 Non-current assets held for sale

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

##### 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 year.

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

**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****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 carrying value of property, plant and equipment and available-for-sale-investments and their historical cost, presently non-deductible/taxable provisions and unused tax allowances and exemptions.

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

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

**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 and interest rate swap transactions. These derivative financial instruments, even though providing effective economic hedges under the Group risk management position, do not qualify for hedge accounting under the 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.

Forward foreign exchange contracts are valued at quoted market prices or discounted cash flow models as appropriate. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative (Note 15).

## ARÇELİK ANONİM ŞİRKETİ

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

#### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 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).

##### 3.16 Foreign currency transactions

Transactions in foreign currencies during the year 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 fair values incurred or to be incurred when the goods or services are delivered, the risks and rewards of ownership of the goods are transferred, when the amount of revenue can be reliably measured and it is probable that the future economic benefits associated with the transaction will flow to the entity. Net sales represent the fair value of goods shipped less sales discounts and commissions 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 in the period on an accrual basis as financial income (Note 36).

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

##### 3.18 Research and development expenses

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design of new products or the test and design of improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility and its the cost can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense cannot be recognised as an asset in a subsequent period. Development costs that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis from 2 to 10 years.

##### 3.19 Investment, research and development incentives

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

##### 3.20 Dividends

Dividends receivable are recognised as income in the year when they are declared and dividends payables are recognised as an appropriation of profit in the year 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 year (Note 15).

##### 3.22 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.

##### 3.23 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.

##### 3.24 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).

## ARÇELİK ANONİM ŞİRKETİ

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

#### NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### 3.25 Earnings per share

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

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

No bonus shares have been issued during the year.

##### 3.26 Management's estimates

The preparation of consolidated financial statements requires estimates and assumptions regarding the amounts for the assets and liabilities at the balance sheet date and explanations for the contingent assets and liabilities as well as the amounts of income and expenses realised in the reporting year. Although these estimates and assumptions are based on the best information held by the Group management, actual results may differ from these.

##### 3.27 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. Group manages these risks by offsetting interest-bearing assets and liabilities and using derivative instruments for hedging purposes.

##### *Funding risk*

Cash flow originating from amount and term of borrowing repayments is managed by considering the amount of free cash flow from its operations. Hence, on one hand it is possible to pay debts with the cash generated from operating activities when necessary, and on the other hand sufficient and reliable sources of high quality loans are accessible.

##### *Credit risk*

Credit risk arising from trade receivables, is managed by using instruments such as receivable insurance, bank collaterals and mortgages. Additionally, the majority of these receivables are from authorised dealers where the Company has effective controlling procedures in place. Credit risk on dealer basis is monitored closely by the senior management and is restricted when necessary. A record of Group's long term relations established with the dealers and the amount of uncollected receivables being at a low level is a consequence of the credit risk management.

##### *Foreign exchange risk*

The Group is exposed to foreign exchange risk through operations done using multiple currencies. The proportion of the positions of these currencies among each other or against new Turkish lira to shareholders' equity is tried to be kept under certain limits. For this purpose, foreign currency position is analysed continuously and foreign exchange risk is managed by using balance sheet items or off-balance sheet items such as derivative instruments where necessary.

The Group is exposed to foreign exchange risk primarily with respect to EUR, USD, GBP, RON and RUB.

The foreign exchange risk analysis of the Group is as follows:

As of 31 December 2007, if the aforementioned foreign currencies had strengthened/weakened by 10% against TRY with all other variables held constant, profit before tax and minority interests would have been TRY15.620 (2006: TRY10.375) lower/higher, mainly as a result of foreign exchange losses/gains on the translation of the foreign exchange 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.

**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 year-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 have been estimated at their fair values.

Borrowings that are denominated in foreign currencies are translated at year-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.

**Capital Risk Management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or restructure the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Net debt/total capital ratio for the years ended 31 December is as follows:

	<b>2007</b>	<b>2006</b>
Total liabilities	4.381.069	4.241.508
Cash and cash equivalents	(302.492)	(288.796)
Net debt	4.078.577	3.952.712
Total equity	2.117.453	2.103.647
Total capital	6.196.030	6.056.359
<b>Net debt/total capital ratio</b>	<b>66%</b>	<b>65%</b>



**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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

**NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****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 years ended 31 December are as follows:

	<b>2007</b>	<b>2006</b>
Cash and cash equivalents - maturities of less than 3 months (Note 4)	302.492	288.796
	<b>302.492</b>	<b>288.796</b>

**NOTE 4 - CASH AND CASH EQUIVALENTS**

	<b>2007</b>	<b>2006</b>
Cash in hand	215	160
Cash at banks		
- demand deposits	99.695	80.703
- time deposits	146.410	132.073
Cheques and notes	51.871	72.675
Other	4.301	3.185
	<b>302.492</b>	<b>288.796</b>

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

	<b>2007</b>	<b>2006</b>
Up to 30 days	290.617	286.864
30 - 90 days	11.875	1.932
	<b>302.492</b>	<b>288.796</b>

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

	<b>2007</b>	<b>2006</b>
EUR	4,16	3,24
USD	5,35	4,87
RON	5,64	4,19

**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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

**NOTE 5 - MARKETABLE SECURITIES**

There are no short-term marketable securities at the balance sheet date (2006: None).

**NOTE 6 - BORROWINGS****(a) Short-term bank borrowings**

	2007	2006
TRY loans	1.090.709	834.654
Foreign currency loans	150.553	107.453
Eximbank loans	59.602	20.751
	<b>1.300.864</b>	<b>962.858</b>

As of 31 December, the effective interest rates (%) of bank borrowings are as follows:

TRY loans	17,77	19,00
Foreign currency loans	6,22	5,93

**(b) Long-term bank borrowings**

As of 31 December 2007, long-term bank borrowings are as follows:

Currency	Effective Interest rate (%)	Original currency	TRY amount
TRY	16,34%	996.339.605	996.340
EUR	5,46%	272.788.953	466.521
USD	7,05%	177.411.321	206.664
GBP	7,03%	35.238.486	81.961
RUB	8,11%	416.852.411	19.840
			<b>1.771.326</b>
Less: Current maturities			(775.510)
			<b>995.816</b>

**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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

**NOTE 6 - BORROWINGS (Continued)**

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

Currency	Effective interest rate (%)	Original amount	TRY amount
TRY	%19,78	343.499.096	343.499
EUR	%5,61	293.416.595	543.261
USD	%7,40	200.528.057	281.862
GBP	%6,26	49.351.213	136.056
RUB	%7,02	523.407.788	28.180
RON	%7,10	38.621.489	21.146
			<b>1.354.004</b>
Less: Current maturities			(306.269)
			<b>1.047.735</b>

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

	2007	2006
2008	-	658.215
2009	456.813	203.348
2010	290.565	84.666
2011	176.123	60.086
2012 and over	72.315	41.420
	<b>995.816</b>	<b>1.047.735</b>

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

	2007	2006
Up to 6 months	2.132.246	2.183.335
6 - 12 months	364.441	-
1 - 3 years	374.583	58.567
3 - 5 years	200.920	74.960
	<b>3.072.190</b>	<b>2.316.862</b>

**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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

**NOTE 7 - TRADE RECEIVABLES AND PAYABLES**

	<b>2007</b>	<b>2006</b>
Short-term trade receivables		
Trade receivables	929.784	940.818
Notes receivables	1.364.577	1.305.421
Cheques receivables	85.705	159.793
Doubtful receivables	71.959	76.469
	<b>2.452.025</b>	<b>2.482.501</b>
Less: Provision for doubtful receivables	(66.520)	(69.122)
Less: Unearned credit finance income	(112.399)	(126.252)
	<b>2.273.106</b>	<b>2.287.127</b>

Movements in the provision for doubtful receivables are as follows:

	<b>2007</b>	<b>2006</b>
<b>Balance at the beginning of the year</b>	<b>69.122</b>	<b>32.445</b>
Current year additions (Note 38)	9.903	38.094
Recoveries of doubtful receivables	(12.505)	(1.417)
<b>Balance at the end of the year</b>	<b>66.520</b>	<b>69.122</b>

The ageing schedule of the impaired doubtful receivables is as follows:

	<b>2007</b>	<b>2006</b>
0 - 3 months	-	4.435
3 - 6 months	12.095	18.850
6 months and over	54.425	45.837
	<b>66.520</b>	<b>69.122</b>

	<b>2007</b>	<b>2006</b>
<b>Long-term trade receivables</b>		
Trade receivables	18.144	12.463
Deposits and guarantees given	511	1.230
	<b>18.655</b>	<b>13.693</b>

**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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

**NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)**

<b>Short-term trade payables</b>	<b>2007</b>	<b>2006</b>
Trade payables	558.729	820.126
Deposits and guarantees received	2.217	1.615
Unearned credit finance charges	(6.709)	(9.441)
	<b>554.237</b>	<b>812.300</b>
<b>Long-term trade payables</b>	<b>2007</b>	<b>2006</b>
Trade payables	-	36.144
	<b>-</b>	<b>36.144</b>

**NOTE 8 - LEASE RECEIVABLES AND PAYABLES****(a) Finance lease receivables**

There are no finance lease receivables at the balance sheet date (2006: None).

**(b) Finance lease payables**

Finance lease payables amounts to TRY141 at the balance sheet date (2006: TRY252).

**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**

<b>(a) Due from related parties</b>	<b>2007</b>	<b>2006</b>
<b>Short-term</b>		
Grundig Multimedia B.V.	92.317	2.021
Ram Dış Ticaret A.Ş.	47.503	183.416
Akpa Dayanıklı Tüketim Mal. San. Tic. Ltd. Şti.	25.609	26.138
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	-	5.418
Other	4.542	25.224
	<b>169.971</b>	<b>242.217</b>
Due from personnel	4.804	633
	<b>174.775</b>	<b>242.850</b>



**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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

**NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

<b>Long Term</b>	<b>2007</b>	<b>2006</b>
Ram Dış Ticaret A.Ş.	-	36.144
	-	<b>36.144</b>

<b>(b) Due to related parties</b>	<b>2007</b>	<b>2006</b>
Ram Dış Ticaret A.Ş.	45.792	120.843
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	22.824	74.102
Zer Merkezi Hizmetler ve Ticaret A.Ş. (*)	26.599	28.532
Koç Faktoring Hizmetleri A.Ş.	1.477	21.035
Ram Pacific Ltd. (**)	-	86.370
Other	16.497	25.159
	<b>113.189</b>	<b>356.041</b>

Due to personnel	28.871	22.461
Less: Unearned credit finance income from related parties	(4.469)	(23.198)
	<b>137.591</b>	<b>355.304</b>

(\*)Trade name of Beko Ticaret A.Ş. has been changed to Zer Merkezi Hizmetler ve Ticaret A.Ş.

(\*\*)The significant influence of the Group on the company ceased following the sale of the shares in 2007, hence this company is not considered as a related party at the balance sheet date.

Long Term		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	60.038	76.848
	<b>60.038</b>	<b>76.848</b>

<b>(c) Deposits</b>	<b>2007</b>	<b>2006</b>
Yapı ve Kredi Bankası A.Ş.		
- time deposits	53.977	25.703
- demand deposits	7.714	5.999
	<b>61.691</b>	<b>31.702</b>

<b>(d) Bank borrowings</b>	<b>2007</b>	<b>2006</b>
Yapı ve Kredi Bankası A.Ş.		
- bank borrowings	213.520	1.852
	<b>213.520</b>	<b>1.852</b>

**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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

**NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)****e) Derivative Instruments**

2007

None.

2006

	Contract amount	Fair Values assets/(liabilities)
Yapı ve Kredi Bankası A.Ş.	35.623	- (952)
	<b>35.623</b>	<b>- (952)</b>

**(ii) Transactions with related parties****(a) Sales**

	2007	2006
Ram Dış Ticaret A.Ş.	165.452	237.683
Grundig Multimedia B.V.	133.732	-
Akpa Dayanıklı Tüketim	94.248	89.241
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	37.677	29.918
Other	31.531	36.515
	<b>462.640</b>	<b>393.357</b>

**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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

**NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)****(b) Purchases**

	<b>2007</b>	<b>2006</b>
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	320.550	264.305
Zer Merkezi Hizmetler ve Ticaret A.Ş.	93.397	142.032
Ram Dış Ticaret A.Ş.	76.088	41.316
Ram Pacific Ltd. (*)	73.294	199.435
Türk Demir Döküm Fabrikaları A.Ş. (*)	31.957	58.522
Ram Sigorta Aracılık Hizmetleri A.Ş.	16.418	17.693
Palmira Turizm Ticaret A.Ş.	14.254	12.105
Setur Servis Turistik A.Ş.	10.253	5.906
Kofisa S.A. (**)	-	254.407
Döktaş A.Ş. (**)	-	63.962
İzocam Ticaret ve Sanayi A.Ş. (**)	-	25.325
Other	52.974	78.768
	<b>689.185</b>	<b>1.163.776</b>
Unearned credit finance income from related parties	(15.578)	(17.514)
	<b>673.607</b>	<b>1.146.262</b>

(\*)The control/significant influence of Koc Group on the companies ceased following the sale of shares in 2007, hence these companies are not considered as related parties after the date of the mentioned transaction.

(\*\*)The control of Koc Group on the companies ceased following the share sales in 2006, hence these companies are not considered as related parties after the date of the transaction.

**(c) Key management compensation**

Total compensation provided to key management by the Company in 2007 amounts to TRY 17.120. (2006: TRY 15.496)

**(d) Other transactions**

	<b>2007</b>	<b>2006</b>
Dividends paid	203.265	209.690
Dividends received	3.320	3.240
Interest Expense	38.850	3.510
Interest income	1.633	3.391

**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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

**NOTE 10 - OTHER RECEIVABLES AND PAYABLES**

<b>Other short-term financial liabilities</b>	<b>2007</b>	<b>2006</b>
Taxes and duties payable	57.765	71.310
Rescheduled taxes payable	6.142	12.337
	<b>63.907</b>	<b>83.647</b>

Other long-term financial liabilities		
Rescheduled taxes payable	3.559	10.867
	<b>3.559</b>	<b>10.867</b>

**NOTE 11 - BIOLOGICAL ASSETS**

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

**NOTE 12 - INVENTORIES**

	<b>2007</b>	<b>2006</b>
Raw materials and supplies	710.223	687.937
Semi-finished goods	45.321	44.080
Finished goods	248.068	247.932
Commercial goods	338.885	337.328
	<b>1.342.497</b>	<b>1.317.277</b>

Less: Provision for impairment on inventories	(45.771)	(42.251)
	<b>1.296.726</b>	<b>1.275.026</b>

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

	<b>2007</b>	<b>2006</b>
Raw materials and supplies	15.393	19.233
Finished goods	14.504	11.406
Commercial goods	15.874	11.612
	<b>45.771</b>	<b>42.251</b>

Movements in the provision for impairment on inventories are as follows:

	<b>2007</b>	<b>2006</b>
<b>Balance at the beginning of the year</b>	<b>42.251</b>	<b>33.940</b>
Current year additions (Note 38)	24.578	27.130
Realised due to sale of inventory	(21.058)	(18.819)
<b>Balance at the end of the year</b>	<b>45.771</b>	<b>42.251</b>

**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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

**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**

	2007	2006
Deferred tax assets	53.812	58.437
Deferred tax liabilities	(54.494)	(34.666)
<b>Deferred tax assets/ (liabilities) (net)</b>	<b>(682)</b>	<b>23.771</b>

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

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 2007 and 31 December 2006 using principal tax rates, are as follows:

	Cumulative Temporary differences		Deferred tax assets/(liabilities)	
	2007	2006	2007	2006
Property, plant and equipment and intangible assets	427.903	376.469	(81.962)	(74.290)
Available-for-sale investments	463.946	348.256	(23.197)	(17.411)
Provision for warranty and assembly	(160.747)	(235.279)	31.993	47.038
Unused tax credits	(198.643)	(180.904)	39.714	36.466
Provision for employment termination benefits	(55.118)	(51.398)	11.010	10.258
Provision for doubtful receivables	(39.704)	(43.255)	7.941	8.651
Unearned credit finance income	(14.962)	853	3.020	(437)
Provision for impairment on inventories	(29.906)	(27.610)	5.981	5.522
Accrual for export sales expenses	(10.331)	(5.439)	2.066	1.088
Other	(5.213)	(27.806)	2.752	6.886
<b>Deferred tax assets/ (liabilities) (net)</b>			<b>(682)</b>	<b>23.771</b>

	2007	2006
<b>Balance at the beginning of the year</b>	<b>23.771</b>	<b>(8.139)</b>
Charged to income statement (Note 41)	(19.056)	48.866
Charged to shareholders' equity	(5.783)	(17.411)
Translation differences	386	455
<b>Balance at the end of the year</b>	<b>(682)</b>	<b>23.771</b>



**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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

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

<b>Other current assets</b>	<b>2007</b>	<b>2006</b>
VAT and PCT receivables (*)	36.722	75.499
Prepaid taxes and funds	22.566	1.643
Taxes and funds deductible	14.674	24.728
Prepaid expenses	7.811	6.448
Income accruals	6.128	509
Assets held for sale	1.814	1.317
Other	1.568	3.120
	<b>91.283</b>	<b>113.264</b>

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

<b>Other current liabilities</b>	<b>2007</b>	<b>2006</b>
Warranty provision	110.704	145.070
Assembly provision	35.418	41.976
Accrual for export sales expenses	28.782	26.424
Accrual for sales and marketing expenses	15.991	18.284
Transportation provision	9.962	13.858
Accrual for customer premiums	4.101	6.813
Accrual for bonuses and premiums	1.631	3.244
Other	46.071	45.379
	<b>252.660</b>	<b>301.048</b>

<b>Other non-current liabilities</b>	<b>2007</b>	<b>2006</b>
Warranty provision	52.258	101.122
Other	1.539	2.608
	<b>53.797</b>	<b>103.730</b>

**NOTE 16 - FINANCIAL ASSETS**

	<b>2007</b>	<b>2006</b>
Available-for-sale investments	711.585	596.426
Held-to-maturity investments	99.000	111.747
Investments in associates	111.129	102.872
Financial assets excluded from the scope of consolidation	3.267	5.039
	<b>924.981</b>	<b>816.084</b>

## ARÇELİK ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

## NOTE 16 - FINANCIAL ASSETS (Continued)

## a) Available-for-sale investments:

	%	2007 TRY	%	2006 TRY
Koç Finansal Hizmetler A.Ş.	7,66	695.847	7,66	581.341
Entek Elektrik Üretimi San. ve Tic. A.Ş.	6,86	12.340	6,86	12.340
Ultra Kablolı TV ve Telekomünikasyon San. Tic. A.Ş.	7,50	1.901	7,50	1.901
Tat Konserve Sanayii A.Ş.	0,34	1.429	0,34	780
Other		68		64
		<b>711.585</b>		<b>596.426</b>

	2007	2006
<b>Balance at the beginning of the year</b>	<b>596.426</b>	<b>512.139</b>
Fair value gains	115.155	84.275
Purchase of financial assets	4	12
<b>Balance at the end of the year</b>	<b>711.585</b>	<b>596.426</b>

The unrealised gains (net) arising from changes in the fair value of investments amounting to TRY463.946 net off deferred tax effect amounting to TRY23.197 are recognised in consolidated shareholders' equity under the "financial assets fair value reserve" at 31 December 2007 (2006: TRY348.256).

## b) Held-to-maturity investments:

	2007	2006
Time deposits (USD)	99.000	111.747
	<b>99.000</b>	<b>111.747</b>

As of 31 December 2007, the effective interest rate of long-term time deposits is 7,59% (2006: 7,56%).

## c) Investments in associates:

	%	2007 TRY	%	2006 TRY
Koç Tüketici Finansmanı A.Ş.	47,00	57.876	47,00	48.801
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	45,00	46.737	45,00	44.653
Ram Dış Ticaret A.Ş.	33,50	4.581	33,50	3.996
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	32,00	1.935	32,00	2.166
Ram Pacific Ltd.	25,00	-	25,00	3.256
		<b>111.129</b>		<b>102.872</b>

## ARÇELİK ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

## NOTE 16 - FINANCIAL ASSETS (Continued)

	2007	2006
<b>Balance at the beginning of the year</b>	<b>102.872</b>	<b>84.998</b>
Income from associates	14.235	22.492
Dividends received from associates	(3.320)	(3.240)
Sales of shares in associates	(2.389)	(1.371)
Translation differences	(269)	(7)
<b>Balance at the end of the year</b>	<b>111.129</b>	<b>102.872</b>
	<b>2007</b>	<b>2006</b>
<b>Income from associates</b>		
Koç Tüketici Finansmanı A.Ş.	9.074	10.853
Arcelik LG Klima Sanayi ve Ticaret A.Ş.	3.898	8.929
Ram Dış Ticaret A.Ş.	586	1.663
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	(229)	(845)
Ram Pacific Ltd.	906	1.892
	<b>14.235</b>	<b>22.492</b>

## d) Financial assets excluded from the scope of consolidation:

	%	2007 TRY	%	2006 TRY
Subsidiaries				
Beko Shanghai	100,00	3.259	100,00	2.626
ArticPro SRL	100,00	2	100,00	1
Arctic Service (*)	100,00	-	100,00	-
Archin Limited	99,99	-	99,99	-
Izocam llc (**)	-	-	100,00	2.215
Arcelitalia SRL (***)	-	-	100,00	191
Joint ventures				
Grundig Intermedia Trgovina, d.o.o., Ljubljana	50,00	6	50,00	6
		<b>3.267</b>		<b>5.039</b>

(\*) Trade name of the company was annihilated in 2007.

(\*\*) Merged with Beko llc in 2007.

(\*\*\*) Included in the scope of consolidation in 2007.

## ARÇELİK ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

## NOTE 17 - GOODWILL/NEGATIVE GOODWILL

	1 January 2007	Additions	Disposals	Translation differences	31 December 2007
Goodwill	2.044	1.589	-	-	3.633
Accumulated amortisation	(256)	-	-	-	(256)
<b>Net carrying value</b>	<b>1.788</b>				<b>3.377</b>
	1 January 2006	Additions	Disposals	Translation differences	2006
Goodwill	4.229	-	(2.605)	420	2.044
Accumulated amortisation	(965)	-	846	(137)	(256)
<b>Net carrying value</b>	<b>3.264</b>				<b>1.788</b>

## NOTE 18 - INVESTMENT PROPERTY

	1 January 2007	(*) Additions	Disposals	Translation differences	31 December 2007
Cost	4.052	1.249	-	(493)	4.808
Accumulated depreciation	(1.266)	(176)	-	97	(1.345)
<b>Net carrying value</b>	<b>2.786</b>				<b>3.463</b>

(\*) Additions with a net book value of TRY1.073 has been transferred from property, plant and equipment.

	1 January 2006	Additions	Disposals	Translation differences	2006
Cost	3.460	17	-	575	4.052
Accumulated depreciation	(1.042)	(50)	-	(174)	(1.266)
<b>Net carrying value</b>	<b>2.418</b>				<b>2.786</b>

## ARÇELİK ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

## NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2007	(*) Acquisitions	Additions	(**) Disposals	Transfers	Translation differences	31 December 2007
<b>Cost</b>							
Land	15.319	-	1.302	(7)	-	(389)	16.225
Land improvement	32.614	-	1.644	(39)	(6.811)	(30)	27.378
Buildings	456.850	9.174	828	(1.608)	41.111	(16.588)	489.767
Machinery and equipment	2.305.001	6.608	58.505	(150.053)	133.677	(25.176)	2.328.562
Motor vehicles, furniture and fixtures	204.385	749	12.268	(16.321)	3.514	(8.459)	196.136
Leasehold improvements	33.831	-	991	-	-	(278)	34.544
Construction in progress	10.035	-	163.773	(94)	(147.243)	(628)	25.843
Advances given	6.354	-	21.735	-	(26.257)	-	1.832
	<b>3.064.389</b>	<b>16.531</b>	<b>261.046</b>	<b>(168.122)</b>	<b>(2.009)</b>	<b>(51.548)</b>	<b>3.120.287</b>
<b>Accumulated Depreciation</b>							
Land improvement	(12.705)	-	(936)	9	512	-	(13.120)
Buildings	(137.036)	-	(9.680)	1.491	(336)	2.429	(143.132)
Machinery and equipment	(1.626.703)	-	(111.290)	138.954	-	11.175	(1.587.864)
Motor vehicles, furniture and fixtures	(157.010)	-	(11.281)	17.489	-	3.703	(147.099)
Leasehold improvements	(15.766)	-	(5.551)	7	-	120	(21.190)
	<b>(1.949.220)</b>	<b>-</b>	<b>(138.738)</b>	<b>157.950</b>	<b>176</b>	<b>17.427</b>	<b>(1.912.405)</b>
<b>Net carrying value</b>	<b>1.115.169</b>						<b>1.207.882</b>

(\*) The property, plant and equipment with a net book value of TRY 16.531 is related to the acquisition of Beko China (Note 32).

(\*\*) The property plant and equipment classified as Land and Buildings with net book values of TRY 1.073 and TRY 760 have been transferred to Investment Property and Intangible Assets respectively from Property Plant and Equipment with net book values of TRY 1.073 and TRY 760, that were classified under land and buildings, were deducted from "Property plant and equipment" and reclassified under "Investment property" and "Intangible assets" respectively.

There is no mortgage on property, plant and equipment at 31 December 2007.



## ARÇELİK ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

## NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2006	Acquisitions	Additions	Disposals	(*) Transfers	Translation differences	31 December 2006
<b>Cost</b>							
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
	<b>2.767.618</b>	<b>-</b>	<b>322.032</b>	<b>(73.602)</b>	<b>(1.835)</b>	<b>50.176</b>	<b>3.064.389</b>
<b>Accumulated Depreciation</b>							
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)
	<b>(1.837.036)</b>	<b>-</b>	<b>(150.635)</b>	<b>62.755</b>	<b>518</b>	<b>(24.822)</b>	<b>(1.949.220)</b>
<b>Net carrying value</b>	<b>930.582</b>						<b>1.115.169</b>

(\*) Property, plant and equipment received as guarantees for trade receivables and classified as Land and Buildings with a net carrying value of TRY 1.317 have been transferred to "Other Current Assets" from "Property, Plants and Equipments".

At 31 December 2006, there are mortgages amounting to TRY 93.851 on property, plant and equipment.

## ARÇELİK ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

## NOTE 20 - INTANGIBLE ASSETS

	1 January 2007	(*) Acquisitions	Additions	Disposals	Transfers	Translation differences	31 December 2007
<b>Cost</b>							
Rights	156.861	1.575	3.832	(910)	760	(3.703)	158.415
Development costs	-	-	51.370	-	-	-	51.370
Other intangible assets	21.197	-	365	(46)	-	(151)	21.365
	<b>178.058</b>	<b>1.575</b>	<b>55.567</b>	<b>(956)</b>	<b>760</b>	<b>(3.854)</b>	<b>231.150</b>
<b>Accumulated Amortisation</b>							
Rights	(36.470)	-	(4.822)	908	-	786	(39.598)
Development costs	-	-	(488)	-	-	-	(488)
Other intangible assets	(14.707)	-	(263)	44	-	109	(14.817)
	<b>(51.177)</b>	<b>-</b>	<b>(5.573)</b>	<b>952</b>	<b>-</b>	<b>895</b>	<b>(54.903)</b>
<b>Net carrying value</b>	<b>126.881</b>						<b>176.247</b>

(\*) Intangible assets with a net book value of TRY1.575 is related to the acquisition of Beko China (Note 32)

	1 January 2006	Acquisitions	Additions	Disposals	Transfers	Translation differences	2006
<b>Cost</b>							
Rights	67.771	-	83.818	(865)	868	5.269	156.861
Development costs	-	-	-	-	-	-	-
Other intangible assets	21.136	-	956	(1.676)	518	263	21.197
	<b>88.907</b>		<b>84.774</b>	<b>(2.541)</b>	<b>1.386</b>	<b>5.532</b>	<b>178.058</b>
<b>Accumulated Amortisation</b>							
Rights	(31.905)	-	(3.569)	698	(868)	(826)	(36.470)
Development costs	-	-	-	-	-	-	-
Other intangible assets	(13.159)	-	(2.054)	1.203	(518)	(179)	(14.707)
	<b>(45.064)</b>	<b>-</b>	<b>(5.623)</b>	<b>1.901</b>	<b>(1.386)</b>	<b>(1.005)</b>	<b>(51.177)</b>
<b>Net carrying value</b>	<b>43.843</b>						<b>126.881</b>

**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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**NOTE 21 - ADVANCES RECEIVED**

	<b>2007</b>	<b>2006</b>
Order advances received	66.941	54.378
Other advances received	618	344
	<b>67.559</b>	<b>54.722</b>

**NOTE 22 - RETIREMENT PLANS**

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

**NOTE 23 - PROVISIONS**

<b>a) Short-term provisions</b>	<b>2007</b>	<b>2006</b>
Tax provision (Note 41)	4.741	2.266
<b>b) Long-term provisions</b>	<b>2007</b>	<b>2006</b>
Provision for employment termination benefits	56.155	52.852

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).

The amount payable consists of one month's salary limited to a maximum of TRY 2,03019 (31 December 2006: TRY 1,85744) for each period of service at 31 December 2007.

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.

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**NOTE 23 - PROVISIONS (Continued)**

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:

	<b>2007</b>	<b>2006</b>
Discount rate (%)	5,71	5,71
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 TRY 2,08792 (1 January 2007: TRY 1,96069) which is effective from 1 January 2008 has been taken into consideration in calculating the reserve for employment termination benefit of the Company, its Turkish subsidiaries and associates.

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

	<b>2007</b>	<b>2006</b>
<b>Balance at the beginning of the year</b>	<b>52.852</b>	<b>47.947</b>
Increase during the year	20.126	24.812
Payments during the year	(16.672)	(20.863)
Translation differences	(151)	956
<b>Balance at the end of the year</b>	<b>56.155</b>	<b>52.852</b>

**NOTE 24 - MINORITY INTERESTS**

Changes in minority interest during the year are as follows:

	<b>2007</b>	<b>2006</b>
<b>Balance at the beginning of the year</b>	<b>32.890</b>	<b>81.746</b>
Net income / (loss) (net)	(20.558)	(33.491)
Translation differences	(2.648)	3.080
Dividend payments	(3.285)	(9.710)
Transfers from retained earnings (*)	21.878	-
Disposal of subsidiary (Sherbrook)	-	(3.010)
Effect of change in economic interests	-	769
Financial assets fair value reserve	-	(6.494)
<b>Balance at the end of year</b>	<b>28.277</b>	<b>32.890</b>

(\*) Since the losses applicable to the minority in the consolidated subsidiary exceeded the minority interest in the subsidiary's equity, the minority interest, regarding the elimination of intragroup transactions in the previous years, has been transferred from "Retained earnings" to "Minority interests".

**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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**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:

	2007	2006
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:

Shareholders	2007		2006	
	Share %	Amount	Share %	Amount
Koç Holding A.Ş.	39,14	156.546	39,14	156.546
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi A.Ş.	14,68	58.709	14,68	58.709
Koç Ailesi	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
<b>Total</b>	<b>100,00</b>	<b>399.960</b>	<b>100,00</b>	<b>399.960</b>
Adjustment to share capital		468.811		468.811
<b>Total paid-in share capital</b>		<b>868.771</b>		<b>868.771</b>

The shareholder of the Company, Koç Holding, has pledged its shares in the Company with a nominal value of TRY 28.146 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 (2006: TRY 156.546).



**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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**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:

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 TRY 199.980 from extraordinary reserves and current year tax exemptions income during the year ended at 31 December, 2007.

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 CMB's profit distribution regulations, are considered to be deductible when computing the distributable profit. The accumulated deficit will first be netted-off from net income and retained earnings, and the remaining amount of deficit from extraordinary reserves, legal reserves and adjustment to share capital.

In accordance with Communiqué No.XI/25 the quoted companies are required to distribute a minimum of 20% of their distributable profits over financial statements prepared in accordance with CMB Financial Reporting Standards. This distribution may be made by either as cash or bonus shares or as a combination of both over the minimum limit of 20% depending on the decisions of the General Assemblies of the companies.

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.

**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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**NOTE 26 - 27 - 28 CAPITAL RESERVES, PROFIT RESERVES, RETAINED EARNINGS (Continued)**

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 2007 and 31 December 2006 the shareholders' equity schedule is as follows:

	2007	2006
Share capital	399.960	399.960
Inflation adjustment to shareholders' equity	748.984	748.984
Legal reserves	97.240	61.759
Extraordinary reserves	114.192	-
Financial assets fair value reserve	440.749	330.845
Translation reserves	(16.584)	15.421
Net income	157.765	324.147
Retained earnings	175.147	222.531
<b>Total shareholders' equity</b>	<b>2.117.453</b>	<b>2.103.647</b>

Details of the inflation adjustment to shareholders' equity 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
	<b>399.960</b>	<b>1.148.944</b>	<b>748.984</b>

(\*) Inflation adjustment to shareholders' equity amounting to TRY 280.173 which is the remaining balance of equity accounts have been zeroed by offsetting as shown in the inflation adjustment to shareholders' equity account.

**NOTE 29 - FOREIGN CURRENCY POSITION**

	2007	2006
Assets	1.887.383	1.826.950
Liabilities	(1.730.987)	(2.028.754)
Off-balance sheet commitments	(199)	98.053
<b>Net foreign currency position</b>	<b>156.197</b>	<b>(103.751)</b>

## ARÇELİK ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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## NOTE 29 - FOREIGN CURRENCY POSITION (Continued)

TRY equivalents of assets and liabilities denominated in foreign currency at 31 December 2007 are as follows:

	EUR	USD	GBP	RON	RUB	Other	Total
<b>Current assets</b>							
Cash and cash equivalents	167.304	16.487	30.014	11.123	5.783	17.668	248.379
Trade receivables (net)	419.201	282.561	91.199	54.442	53.736	62.665	963.804
Due from related parties (net)	47.207	93.161	2.887	53	2.877	6.509	152.694
Other receivables (net)	301	-	-	-	-	-	301
Inventories (net)	161.525	55.223	63.801	45.751	53.743	21.340	401.383
Other current assets	8.625	2	327	474	7.350	2.294	19.072
<b>Non-current assets</b>							
Trade receivables	-	-	-	-	-	-	-
Due from related parties (net)	-	-	-	-	-	-	-
Financial assets (net)	-	99.000	-	-	-	-	99.000
Deferred tax assets	-	-	261	-	1.189	767	2.217
Other non-current assets	247	-	-	-	-	286	533
<b>Total assets</b>	<b>804.410</b>	<b>546.434</b>	<b>188.489</b>	<b>111.843</b>	<b>124.678</b>	<b>111.529</b>	<b>1.887.383</b>
<b>Current liabilities</b>							
Short-term bank borrowings	11.669	106.266	-	-	-	32.626	150.561
Current maturities of long-term bank borrowings	27.943	59.577	81.961	-	1.690	-	171.171
Lease payables (net)	-	-	26	-	-	40	66
Other financial liabilities (net)	2.935	-	4.565	-	-	3.562	11.062
Trade payables (net)	149.206	299.617	4.542	15.313	9.893	14.738	493.309
Due to related parties (net)	45.746	14.443	7.064	516	2.407	1.580	71.756
Advances received	16	-	-	-	-	-	16
Provisions	1.448	-	1.848	1.441	-	-	4.737
Other current liabilities (net)	72.333	73.334	33.175	8.839	1.452	12.590	201.723
<b>Non-current liabilities</b>							
Long-term bank borrowings (net)	438.581	147.085	-	-	18.107	43	603.816
Lease payables (net)	-	-	-	-	-	25	25
Trade payables (net)	-	-	695	-	-	-	695
Provisions	1.036	-	-	340	-	10	1.386
Deferred tax liabilities	1.597	-	177	3.766	-	354	5.894
Other non-current liabilities (net)	3.453	-	-	10.755	-	562	14.770
<b>Total liabilities</b>	<b>755.963</b>	<b>700.322</b>	<b>134.053</b>	<b>40.970</b>	<b>33.549</b>	<b>66.130</b>	<b>1.730.987</b>
<b>Net balance sheet position</b>	<b>48.447</b>	<b>(153.888)</b>	<b>54.436</b>	<b>70.873</b>	<b>91.129</b>	<b>45.399</b>	<b>156.396</b>
<b>Off-balance sheet derivative instruments</b>	<b>(60.769)</b>	<b>72.399</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11.829)</b>	<b>(199)</b>
<b>Net foreign currency position</b>	<b>(12.322)</b>	<b>(81.489)</b>	<b>54.436</b>	<b>70.873</b>	<b>91.129</b>	<b>33.570</b>	<b>156.197</b>

The net foreign currency position of the Group as of 31 December 2007 is positive TRY 156.197 equivalent to EUR 91.332.479.

## ARÇELİK ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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## NOTE 29 - FOREIGN CURRENCY POSITION (Continued)

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

	EUR	USD	GBP	RON	RUB	Other	Total
<b>Current assets:</b>							
Cash and cash equivalents	133.254	19.736	30.852	13.575	5.715	8.976	212.108
Trade receivables (net)	567.209	100.764	103.807	55.655	12.967	42.536	882.938
Due from related parties (net)	9.344	71.991	30.123	-	337	47	111.842
Other receivables (net)	-	-	-	-	-	-	-
Inventories (net)	170.775	62.670	76.728	58.374	38.221	15.045	421.813
Other current assets	12.948	6	735	13.125	17.063	2.151	46.028
<b>Non-current assets:</b>							
Trade receivables (net)	36.144	-	-	-	-	-	36.144
Financial assets (net)	-	112.448	-	-	-	-	112.448
Deferred tax assets	303	-	309	-	2.574	443	3.629
Other non-current assets	-	-	-	-	-	-	-
<b>Total assets</b>	<b>929.977</b>	<b>367.615</b>	<b>242.554</b>	<b>140.729</b>	<b>76.877</b>	<b>69.198</b>	<b>1.826.950</b>
<b>Current liabilities:</b>							
Short-term bank borrowings	28.431	79.022	-	-	-	-	107.453
Current maturities of long-term bank borrowings	177.400	44.784	34.051	67	183	-	256.485
Lease payables (net)	-	-	141	13	-	7	161
Due to related parties (net)	1.843	-	9.798	3.473	872	299	16.285
Trade payables (net)	222.346	113.032	1.302	19.719	465	4.933	361.797
Due to related parties (net)	108.167	166.789	28.374	64	3.317	825	307.536
Advances received	17	-	-	1	-	-	18
Provisions	-	-	1.753	513	-	-	2.266
Other current liabilities (net)	96.769	6.852	42.780	4.044	1.026	9.974	161.445
<b>Non-current liabilities:</b>							
Long-term bank borrowings (net)	365.861	237.078	102.005	21.079	-	27.997	754.020
Lease payables (net)	-	-	41	7	-	-	48
Other financial liabilities (net)	36.144	-	-	-	-	-	36.144
Provisions	1.342	-	112	532	-	12	1.998
Deferred tax liabilities	1.361	-	-	3.370	-	5	4.736
Other non-current liabilities (net)	6.228	-	22	10.812	-	1.300	18.362
<b>Total liabilities</b>	<b>1.045.909</b>	<b>647.557</b>	<b>220.379</b>	<b>63.694</b>	<b>5.863</b>	<b>45.352</b>	<b>2.028.754</b>
<b>Net balance sheet position</b>	<b>(115.932)</b>	<b>(279.942)</b>	<b>22.175</b>	<b>77.035</b>	<b>71.014</b>	<b>23.846</b>	<b>(201.804)</b>
<b>Off-balance sheet derivative instruments</b>	<b>27.773</b>	<b>70.280</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>98.053</b>
<b>Net foreign currency position</b>	<b>(88.159)</b>	<b>(209.662)</b>	<b>22.175</b>	<b>77.035</b>	<b>71.014</b>	<b>23.846</b>	<b>(103.751)</b>

The net foreign currency position of the Group as of 31 December 2006 is negative TRY 103.751 equivalent to EUR 56.036.187.

**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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**NOTE 30 - GOVERNMENT GRANTS**

The Group is entitled to investment incentive according to 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 corporate tax liability amounting to 40% of the research and development expenditures,
- d) Inward Processing Permission Certificates (Note 31),
- e) Incentive from Tübitak-Teydeb for research and development expenditures,
- f) Exemption of tax and funds.

**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

	<b>Contract amount</b>	<b>Fair Values Assets/ (Liabilities)</b>
<b>2007</b>		
Forward foreign exchange contracts	70.918	- (1.481)
	<b>70.918</b>	<b>- (1.481)</b>
<b>2006</b>		
Forward foreign exchange contracts	160.499	- (1.749)
	<b>160.499</b>	<b>- (1.749)</b>



**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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**NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**

b) Guarantees and commitments given are as follows at 31 December 2007 and 2006:

	<b>2007</b>	<b>2006</b>
Collateral obtained	1.643.473	1.454.855
Other guarantees given	76.075	60.846
Guarantee letters given to customs for imports	59.186	31.424
Standby letters of credit	36.931	56.360
Guarantee letters given to Eximbank for import loans	32.430	5.250
Guarantee letters given	11.544	11.378
Operational lease commitments (**)	2.988	6.498
Pledges given	1.453	1.742
Other guarantees	4.668	2.173
Forward commitments	3.933	7.505
Mortgages on property, plant and equipment regarding IFC loans (*)	-	93.851
Assigned receivables given related to IFC loans	-	27.850

(\*) Mortgages have been released at 31 July 2007 due to the repayment of the related borrowing obtained from IFC.

(\*\*) Consists of office, warehouse and car rental payables.

c) In connection with the Inward Processing Permission Certificates, the Group has committed to realise export sales amounting to USD 1.216.309.825 in 2007 (2006: USD 1.286.690.953).

**NOTE 32 - BUSINESS COMBINATIONS***Business combinations in 2007*

Regarding the growth strategy and plans related to the investment in China, the Group signed a share transfer agreement on 28 July 2007 regarding the purchase of all shares of Changzhou Casa-Shinco Electrical Appliances Co. Ltd. Following the agreement sign-off, legal procedures in China have been completed; Ardutch has taken over the shares and the company's business title has been changed and registered as Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China").

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

Total acquisition cost (*)	12.576
Net assets acquired	(10.987)

**Goodwill****1.589**

(\*) Costs directly attributable to the business combination were included.

**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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**NOTE 32 - BUSINESS COMBINATIONS (Continued)**

The fair values of assets and liabilities arising from the acquisition are as follows:

Cash and due from banks	4.699
Inventories	3.824
Property, plant and equipment (Note 19)	16.531
Intangible assets (Note 20)	1.575
Trade and other receivables	6.293
Financial liabilities	(4.294)
Trade and other payables	(17.641)
<b>Net assets acquired (100%)</b>	<b>10.987</b>
Total acquisition cost	12.576
Cash and due from banks - acquired	(4.699)
<b>Cash outflow on acquisition (net)</b>	<b>7.877</b>

*Business combinations in 2006*

On 6 October 2006, Arçelik acquired additional shares of Beko Elektronik with a nominal value of TRY87.171, of which TRY57.200 belongs to Koc Holding, TRY21.164 to Zer Ticaret (previously known as Beko Ticaret), TRY1.384 to Temel Ticaret ve Yatırım A.Ş. and TRY6.973 to Koc 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 the "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 the 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 the financial year in which the business combination takes place. Similarly, comparative consolidated financial statements are restated retrospectively for comparison purposes. As a result of 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".

**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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**NOTE 33 - SEGMENT REPORTING****Primary reporting format - industrial segment**

The Group's industrial segments are white goods and consumer electronics.

**a) Segment sales income (net)**

	<b>2007</b>	<b>2006</b>
White goods	4.168.493	3.852.495
Consumer electronics	1.149.101	1.853.316
Other	1.304.950	1.252.872
	<b>6.622.544</b>	<b>6.958.683</b>

**b) Gross operating profit**

	<b>2007</b>	<b>2006</b>
White goods	1.380.256	1.393.210
Consumer electronics	194.381	242.955
Other	196.882	206.883
	<b>1.771.519</b>	<b>1.843.048</b>

**c) Segment assets**

	<b>2007</b>	<b>2006</b>
White goods	4.260.294	3.984.037
Consumer electronics	1.355.590	1.497.340
Other	554.611	549.435
<b>Segment assets</b>	<b>6.170.495</b>	<b>6.030.812</b>

**Unallocated:**

Cash and cash equivalents	302.492	288.796
Deferred tax assets	53.812	58.437
<b>Consolidated total assets</b>	<b>6.526.799</b>	<b>6.378.045</b>

## ARÇELİK ANONİM ŞİRKETİ

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

## NOTE 33 - SEGMENT REPORTING (Continued)

## d) Segment liabilities

	2007	2006
White goods	788.245	1.063.733
Consumer electronics	332.743	611.974
Other	61.134	117.242
<b>Segment liabilities</b>	<b>1.182.122</b>	<b>1.792.949</b>
Unallocated:		
Financial liabilities	3.139.656	2.411.376
Deferred tax liabilities	54.494	34.666
Other	4.797	2.517
<b>Consolidated total liabilities</b>	<b>4.381.069</b>	<b>4.241.508</b>

## e) Segment capital expenditures and depreciation and amortisation

## Capital expenditures

	2007	2006
White goods	266.735	245.533
Consumer electronics	54.818	73.051
Other	14.415	7.200
	<b>335.968</b>	<b>325.784</b>

## Depreciation and amortisation

	2007	2006
White goods	102.099	105.096
Consumer electronics	35.342	39.613
Other	7.046	11.329
	<b>144.487</b>	<b>156.308</b>

**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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

**NOTE 33 - SEGMENT REPORTING (Continued)****Secondary reporting format - geographical segment**

The Group's geographical segments are Turkey and Europe.

<b>Segment sales</b>	<b>2007</b>	<b>2006</b>
Turkey	3.289.719	3.603.342
Europe	2.753.527	2.972.913
Other	579.298	382.428
	<b>6.622.544</b>	<b>6.958.683</b>
<b>Segment assets</b>	<b>2007</b>	<b>2006</b>
Turkey	5.116.707	5.271.405
Europe	1.083.347	889.354
Other	326.745	217.286
	<b>6.526.799</b>	<b>6.378.045</b>
<b>Segment capital expenditure</b>	<b>2007</b>	<b>2006</b>
Turkey	268.160	195.622
Europe	19.919	37.857
Other (*)	47.889	92.305
	<b>335.968</b>	<b>325.784</b>

(\*) Consists of capital expenditures in Russia and China.

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.



**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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

**NOTE 34 - SUBSEQUENT EVENTS**

a) In Board of Directors meeting of Beko Elektronik A.Ş., a subsidiary of the Group, held on 18 January 2007, it was decided to increase the authorized and paid-in capital from TRY 174.000 to TRY 348.000 in cash within the registered capital limit and to issue 174.000.000 shares to represent the increased capital with a nominal TRY 1 per share. In its Board of Directors meeting held on the same day, Arçelik A.Ş. decided to participate in this capital increase in proportion to its shareholding in Beko Elektronik and to acquire the shares for which preference rights were not being used by other shareholders at the weighted average price per share which will be traded on ISE within the last three days of the period for the use of preference rights on the condition that its acquisition price will not be under the nominal value of the shares.

The period for the use of preference rights for the capital increase which was performed on 25 January 2008 ended on 8 February 2008. In accordance with Board of Directors decision on 18 December 2007, Arçelik A.Ş. acquired the shares for which preference rights had not been used for TRY 14.735. As a result of this capital increase in cash, Arçelik A.Ş.'s share in Beko Elektronik was increased from 72,46% to 76,69%.

b) In Board of Directors meeting of Beko Elektronik, held on 18 January 2007, it was decided to acquire Alba Europe Ltd.'s shares in Grundig Multimedia B.V., joint venture with a 50:50 partnership with Alba Europe Ltd., for a purchase price of EUR 35.000.000 which will be paid in cash during the share transfer and to determine percentages of revenues earned under Grundig brand in United Kingdom and Ireland between the years 2008 and 2012 which will be paid in five installments. The determined percentages are 4% for the years 2008-2010 (the total purchase price will not exceed EUR 2.000.000 for the year 2008 and EUR 3.000.000 for the years 2009 and 2010, per annum) and 2% for the years 2011 and 2012. The share transfer agreement was signed on 18 December 2007 and the share transfer process continues.

**NOTE 35 - DISCONTINUED OPERATIONS**

None.

**NOTE 36 - OPERATING INCOME**

	2007	2006
Domestic sales	3.477.710	3.821.074
Foreign sales	3.793.178	3.671.139
<b>Gross sales</b>	<b>7.270.888</b>	<b>7.492.213</b>
Less: Discounts	(648.344)	(533.530)
<b>Net sales</b>	<b>6.622.544</b>	<b>6.958.683</b>

**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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

**NOTE 37 - OPERATING EXPENSES**

	2007	2006
Research and development expenses	(29.841)	(76.038)
Selling and marketing expenses	(906.542)	(944.490)
General administrative expenses	(317.895)	(328.735)
<b>Operating expenses</b>	<b>(1.254.278)</b>	<b>(1.349.263)</b>

**NOTE 38 - OTHER INCOME/EXPENSES**

	2007	2006
Other income		
Income from indemnities and incentives	23.601	10.497
Reversal of provisions	7.882	9.838
Gain from sale of property, plant and equipment	4.267	1.915
Licence income	1.955	4.223
Rent income	1.475	1.319
Gain from sale of investments	-	5.135
Other	11.570	15.762
<b>Other income</b>	<b>50.750</b>	<b>48.689</b>
Other expenses		
Provision expense for impairment on inventories	(24.578)	(27.130)
Provision expense for doubtful receivables	(9.903)	(38.094)
Loss from sale of property, plant and equipment	(4.868)	(1.279)
Provision expenses	(2.330)	(10.502)
Loss from sale of investment	(1.234)	-
Other	(5.735)	(7.930)
<b>Other expenses</b>	<b>(48.648)</b>	<b>(84.935)</b>

**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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

**NOTE 39 - FINANCIAL INCOME/EXPENSES**

	<b>2007</b>	<b>2006</b>
Foreign exchange gains	168.432	196.441
Credit finance income	195.928	201.396
Interest income	21.313	19.395
Foreign currency forward income	3.932	33.529
Other	1.240	1.992
<b>Financial income</b>	<b>390.845</b>	<b>452.753</b>
Interest expense	(379.422)	(189.046)
Foreign exchange losses	(209.093)	(228.965)
Credit finance charges	(95.959)	(106.346)
Cash discounts expenses	(21.705)	(24.204)
Foreign currency forward expense	(12.358)	(15.978)
Other	(7.361)	(5.804)
<b>Financial expenses</b>	<b>(725.898)</b>	<b>(570.343)</b>
<b>Financial expenses (net)</b>	<b>(335.053)</b>	<b>(117.590)</b>

**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 the companies in Turkey effective from 1 January 2005.

Consequently, inflation accounting was not applied effective from 1 January 2005 in line with CMB Financial Reporting Standards, therefore there is no gain/loss on net monetary position thereafter (Note 2).

**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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

**NOTE 41 - TAXES ON INCOME**

	<b>2007</b>	<b>2006</b>
Corporation and income taxes	41.293	122.543
Less: prepaid tax	(36.552)	(120.277)
Taxes payable (net)	4.741	2.266
Deferred tax liabilities/(assets) (net)	682	(23.771)
	<b>5.423</b>	<b>(21.505)</b>

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 is 20% in Turkey. Corporation tax is payable at a rate 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 filled until 25<sup>th</sup> 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 filled. 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.

**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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

**NOTE 41 - TAXES ON INCOME (Continued)**

Deferred taxes calculated by using the principle tax rates of the tax authorities of each country as of 31 December 2007 are as follows:

Germany	39,62%	Spain	35,00%
Austria	25,00%	Italy	37,25%
Czech Republic	24,00%	Hungary	16,00%
China	25,00%	Poland	19,00%
France	33,33%	Romania	16,00%
Netherlands	25,50%	Russia	20,00%
United Kingdom	30,00%	Slovakia	19,00%

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

	<b>2007</b>	<b>2006</b>
Taxes on income		
- current	(42.262)	(120.651)
- deferred	(19.056)	48.866
<b>Taxes on income (net)</b>	<b>(61.318)</b>	<b>(71.785)</b>

**NOTE 42 - EARNINGS PER SHARE**

The earnings per share for each year are as follows:

	<b>2007</b>	<b>2006</b>
Net income	157.765	324.147
Weighted average number of ordinary shares with nominal value of TRY1 each	399.960.000	399.960.000
<b>Earnings per share (TRY)</b>	<b>0,39445</b>	<b>0,81045</b>



**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

(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 31 December are as follows:

	<b>2007</b>	<b>2006</b>
<b>Changes in reserves</b>		
Warranty provision	(83.230)	80.517
Assembly and transportation provision	(10.454)	24.733
Provision for impairment on inventories	24.578	27.130
Provision for doubtful receivable	9.903	38.094
Provision for employment termination benefits	3.303	4.905
Accrual for export expenses	2.358	1.981
Accrual for customer premium	(2.712)	6.813
Accrual for bonuses and premiums	(1.613)	132
Accrual for sales and marketing expenses	(2.293)	5.289
	<b>(60.160)</b>	<b>189.594</b>
<b>Changes in operating assets and liabilities</b>		
Trade receivables and due from related parties	105.948	(461.654)
Trade payables and due to related parties	(546.371)	127.946
Inventories	(42.454)	(346.609)
Financial assets	1.772	(2.209)
Other current assets and liabilities	20.487	(200.583)
Other non-current assets and liabilities	(8.412)	(1.226)
	<b>(469.030)</b>	<b>(884.335)</b>

**ARÇELİK ANONİM ŞİRKETİ****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007**

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

**NOTE 44 - DISCLOSURE OF OTHER MATTERS****Interest in Joint Ventures**

Aggregate amounts of assets, liabilities and net income of the joint ventures which are proportionately consolidated, as described in Note 2.c to these consolidated financial statements, are as follows:

	<b>2007</b>	<b>2006</b>
Current assets	172.969	179.519
Non-current assets	23.968	26.522
<b>Total assets</b>	<b>196.937</b>	<b>206.041</b>
Current liabilities	171.347	150.354
Non-current liabilities	71.096	78.088
Shareholders' equity	(45.506)	(22.401)
<b>Total liabilities and shareholders' equity</b>	<b>196.937</b>	<b>206.041</b>
	<b>2007</b>	<b>2006</b>
Net sales	282.559	348.451
Gross operating profit	52.438	52.682
Net operating loss	(22.394)	(34.003)
Net loss	(25.371)	(32.079)

## International System Standards Compliance Certificates

ISO 9001:2000 TSE  
ISO 14001:2004 SGS  
ISO 17025:2000 TÜV-Mikes

## Product Standard Compliance Certificates

TSE-Turkey  
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TÜV, VDE-Germany  
ITS, BEAB-United Kingdom  
GOST R-Russia  
UL-USA  
SEMKO-Sweeden  
IRAM-Argentina  
KUYEYT STD.-Kuwait  
SASO-Saudi Arabia  
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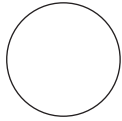
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