**ARÇELİK ANONİM ŞİRKETİ**

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007 TOGETHER WITH AUDITOR'S REPORT**

## ARÇELİK ANONİM ŞİRKETİ

## CONSOLIDATED FINANCIAL STATEMENTS
## AT 31 DECEMBER 2007

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## ARÇELİK ANONİM ŞİRKETİ

## CONSOLIDATED BALANCE SHEETS
## AT 31 DECEMBER

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

| | Notes | 2007 | 2006 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| 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 |
| **Total current assets** | | **4.138.382** | **4.207.063** |
| **Non-current assets** | | | |
| 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 | - | - |
| **Total non-current assets** | | **2.388.417** | **2.170.982** |
| **Total assets** | | **6.526.799** | **6.378.045** |

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 Fatih Kemal Ebiçlioğlu, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director.

## ARÇELİK ANONİM ŞİRKETİ

## CONSOLIDATED BALANCE SHEETS
## AT 31 DECEMBER

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

| | Notes | 2007 | 2006 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| 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 |
| **Total current liabilities** | | **3.157.154** | **2.878.575** |
| **Non-current liabilities** | | | |
| 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 |
| **Total non-current liabilities** | | **1.223.915** | **1.362.933** |
| **Total liabilities** | | **4.381.069** | **4.241.508** |
| **MINORITY INTEREST** | **24** | **28.277** | **32.890** |
| **SHAREHOLDERS' EQUITY** | | | |
| **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** |
| **Total shareholders' equity** | | **2.117.453** | **2.103.647** |
| **Total shareholders' equity and liabilities** | | **6.526.799** | **6.378.045** |
| **Commitments and contingent liabilities** | **31** | | |

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) |
| **Gross operating profit** | | **1.771.519** | **1.843.048** |
| Operating expenses (-) | 37 | (1.254.278) | (1.349.263) |
| **Net operating profit** | | **517.241** | **493.785** |
| 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 |
| **Income before monetary loss, taxes and minority interest** | | **198.525** | **362.441** |
| Monetary loss | 40 | - | - |
| **Income before tax and minority interest** | | **198.525** | **362.441** |
| Minority interest | 24 | 20.558 | 33.491 |
| **Income before tax** | | **219.083** | **395.932** |
| Taxes on income | 41 | (61.318) | (71.785) |
| **Net income** | | **157.765** | **324.147** |
| **Earnings per share (TRY)** | 42 | 0,39445 | 0,81045 |

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

## ARÇELİK ANONİM ŞİRKETİ

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

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

| | | Capital reserves | | | Profit reserves | | | Retained earnings | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | 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 | Shareholders' equity |
| **Balance at 1 January 2006** | **399.960** | **-** | **257.486** | **748.984** | **31.359** | **-** | **(26.841)** | **259.913** | **383.030** | **642.943** | **2.053.891** |
| 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 |
| **Balance at 31 December 2006** | **399.960** | **-** | **330.845** | **748.984** | **61.759** | **-** | **15.421** | **324.147** | **222.531** | **546.678** | **2.103.647** |
| **Balance at 1 January 2007** | **399.960** | **-** | **330.845** | **748.984** | **61.759** | **-** | **15.421** | **324.147** | **222.531** | **546.678** | **2.103.647** |
| 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 |
| **Balance at 31 December 2007** | **399.960** | | **440.749** | **748.984** | **97.240** | **114.192** | **(16.584)** | **157.765** | **175.147** | **332.912** | **2.117.453** |

(*) Related explanation is disclosed in Note 32.

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

## 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 |
|---|---|---|---|
| **Operating activities:** | | | |
| Income before tax | | **219.083** | **395.932** |
| Minority interest | | (20.558) | (33.491) |
| *Adjustments to reconcile net cash provided from operating activities to income before tax* | | | |
| 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) |
| **Net cash provided by operating activities before changes in operating asstes and liabilitties** | | **628.561** | **849.731** |
| Changes in operating assets and liabilities (net) | 43 | (469.030) | (884.335) |
| Corporate taxes paid | 41 | (38.818) | (123.279) |
| **Net cash provided from/used in operating activities** | | **120.537** | **(157.883)** |
| **Investing activities:** | | | |
| 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 |
| **Net cash used in investing activities** | | **(312.745)** | **(481.388)** |
| **Financing activities:** | | | |
| 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) |
| **Net cash provided from financing activities** | | **205.728** | **634.547** |
| **Net increase/(decrease) in cash and cash equivalents** | | **13.696** | **(4.724)** |
| **Cash and cash equivalents as of 1 January** | | **288.796** | **293.520** |
| **Cash and cash equivalents as of 31 December** | | **302.492** | **288.796** |

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

(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 |
| | **100,00** |

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.

## 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.Ş. (“Beko Elektronik”) | Turkey | Production/Sales | Electronics |
| Beko France S.A. (Beko France”) | France | Sales | Consumer durables/Electronics |
| Beko Llc. (“Beko Russia”) (**) | Russia | Production/Sales | Consumer durables/Electronics |
| Beko Magyarorszag K.F.T. (“Beko Magyarorszag”) | Hungary | Sales | Consumer durables/Electronics |
| Beko Plc. (“Beko UK”) | U.K. | Sales | Consumer durables/Electronics |
| Beko Slovakia S.R.O. (“Beko Slovakia”) | Slovakya | 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/Elektronics |
| Fusion Digital Techology 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.

| Joint Ventures | Country of incorporation | Core Business | Nature of business |
|---|---|---|---|
| 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. (“Grunding 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 (“Grunding 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.

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

## 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.

(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.

(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 |
| Grunding 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 |
| Grunding Slovakia | 50,00 | 50,00 |
| Grunding 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).

(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.

## 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).

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

### 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.

(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.

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

### 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.

### 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.

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

*(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

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

### 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).

### 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.

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

### 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.

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

### 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).

### 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.

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

***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 accessable.

***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.

(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:

| | 2007 | 2006 |
|---|---|---|
| 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 |
| **Net debt/total capital ratio** | **66%** | **65%** |

(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:

| | **2007** | **2006** |
|---|---|---|
| Cash and cash equivalents - maturities of less than 3 months (Note 4) | 302.492 | 288.796 |
| | **302.492** | **288.796** |

## NOTE 4 - CASH AND CASH EQUIVALENTS

| | **2007** | **2006** |
|---|---|---|
| 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 |
| | **302.492** | **288.796** |

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

| | | |
|---|---|---|
| Up to 30 days | 290.617 | 286.864 |
| 30 - 90 days | 11.875 | 1.932 |
| | **302.492** | **288.796** |

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

| | | |
|---|---|---|
| EUR | 4,16 | 3,24 |
| USD | 5,35 | 4,87 |
| RON | 5,64 | 4,19 |

(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 |
| | **1.300.864** | **962.858** |

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 |
| | | | **1.771.326** |
| Less: Current maturities | | | (775.510) |
| | | | **995.816** |

(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 |
| | | | **1.354.004** |
| Less: Current maturities | | | (306.269) |
| | | | **1.047.735** |

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 |
| | **995.816** | **1.047.735** |

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 |
| | **3.072.190** | **2.316.862** |

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

## NOTE 7 - TRADE RECEIVABLES AND PAYABLES

| **Short-term trade receivables** | **2007** | **2006** |
|---|---|---|
| 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 |
| | **2.452.025** | **2.482.501** |
| Less: Provision for doubtful receivables | (66.520) | (69.122) |
| Less: Unearned credit finance income | (112.399) | (126.252) |
| | **2.273.106** | **2.287.127** |

Movements in the provision for doubtful receivables are as follows:

| | **2007** | **2006** |
|---|---|---|
| **Balance at the beginning of the year** | **69.122** | **32.445** |
| Current year additions (Note 38) | 9.903 | 38.094 |
| Recoveries of doubtful receivables | (12.505) | (1.417) |
| **Balance at the end of the year** | **66.520** | **69.122** |

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

| | **2007** | **2006** |
|---|---|---|
| 0 - 3 months | - | 4.435 |
| 3 - 6 months | 12.095 | 18.850 |
| 6 months and over | 54.425 | 45.837 |
| | **66.520** | **69.122** |

| **Long-term trade receivables** | **2007** | **2006** |
|---|---|---|
| Trade receivables | 18.144 | 12.463 |
| Deposits and guarantees given | 511 | 1.230 |
| | **18.655** | **13.693** |

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

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

| **Short-term trade payables** | **2007** | **2006** |
|---|---|---|
| Trade payables | 558.729 | 820.126 |
| Deposits and guarantees received | 2.217 | 1.615 |
| Unearned credit finance charges | (6.709) | (9.441) |
| | **554.237** | **812.300** |

| **Long-term trade payables** | **2007** | **2006** |
|---|---|---|
| Trade payables | - | 36.144 |
| | **-** | **36.144** |

## 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**

| **(a) Due from related parties** | **2007** | **2006** |
|---|---|---|
| ***Short-term*** | | |
| 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 |
| | **169.971** | **242.217** |
| Due from personnel | 4.804 | 633 |
| | **174.775** | **242.850** |

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

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

| *Long Term* | 2007 | 2006 |
|---|---|---|
| Ram Dış Ticaret A.Ş. | - | 36.144 |
| | **-** | **36.144** |

| **(b) Due to related parties** | **2007** | **2006** |
|---|---|---|
| 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 |
| | **113.189** | **356.041** |
| Due to personnel | 28.871 | 22.461 |
| Less: Unearned credit finance income from related parties | (4.469) | (23.198) |
| | **137.591** | **355.304** |

(*) 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 balace sheet date.

| *Long Term* | | |
|---|---|---|
| Zer Merkezi Hizmetler ve Ticaret A.Ş. | 60.038 | 76.848 |
| | **60.038** | **76.848** |

| **(c) Deposits** | **2007** | **2006** |
|---|---|---|
| Yapı ve Kredi Bankası A.Ş. | | |
| - time deposits | 53.977 | 25.703 |
| - demand deposits | 7.714 | 5.999 |
| | **61.691** | **31.702** |

| **(d) Bank borrowings** | **2007** | **2006** |
|---|---|---|
| Yapı ve Kredi Bankası A.Ş. | | |
| - bank borrowings | 213.520 | 1.852 |
| | **213.520** | **1.852** |

(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) |
| | **35.623** | **-** | **(952)** |

### (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 |
| | **462.640** | **393.357** |

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

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

### (b) Purchases

| | 2007 | 2006 |
|---|---|---|
| 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 |
| | **689.185** | **1.163.776** |
| Unearned credit finance income from related parties | (15.578) | (17.514) |
| | **673.607** | **1.146.262** |

(*) 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 TRY17.120. (2006: TRY15.496)

### (d) Other transactions

| | 2007 | 2006 |
|---|---|---|
| Dividends paid | 203.265 | 209.690 |
| Dividends received | 3.320 | 3.240 |
| Interest Expense | 38.850 | 3.510 |
| Interest income | 1.633 | 3.391 |

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

## NOTE 10 - OTHER RECEIVABLES AND PAYABLES

| Other short-term financial liabilities | 2007 | 2006 |
|---|---|---|
| Taxes and duties payable | 57.765 | 71.310 |
| Rescheduled taxes payable | 6.142 | 12.337 |
| | **63.907** | **83.647** |

| Other long-term financial liabilities | | |
|---|---|---|
| Rescheduled taxes payable | 3.559 | 10.867 |
| | **3.559** | **10.867** |

## NOTE 11 - BIOLOGICAL ASSETS

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

## NOTE 12 - INVENTORIES

| | 2007 | 2006 |
|---|---|---|
| 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 |
| | **1.342.497** | **1.317.277** |
| Less: Provision for impairment on inventories | (45.771) | (42.251) |
| | **1.296.726** | **1.275.026** |

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

| | 2007 | 2006 |
|---|---|---|
| Raw materials and supplies | 15.393 | 19.233 |
| Finished goods | 14.504 | 11.406 |
| Commercial goods | 15.874 | 11.612 |
| | **45.771** | **42.251** |

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

| | 2007 | 2006 |
|---|---|---|
| **Balance at the beginning of the year** | **42.251** | **33.940** |
| Current year additions (Note 38) | 24.578 | 27.130 |
| Realised due to sale of inventory | (21.058) | (18.819) |
| **Balance at the end of the year** | **45.771** | **42.251** |

(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) |
| **Deferred tax assets/ (liabilities) (net)** | **(682)** | **23.771** |

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 |
| **Deferred tax assets/ (liabilities) (net)** | | | **(682)** | **23.771** |

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

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

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

| **Other current assets** | **2007** | **2006** |
|---|---|---|
| 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 |
| | **91.283** | **113.264** |

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

| **Other current liabilities** | **2007** | **2006** |
|---|---|---|
| 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 |
| | **252.660** | **301.048** |

| **Other non-current liabilities** | **2007** | **2006** |
|---|---|---|
| Warranty provision | 52.258 | 101.122 |
| Other | 1.539 | 2.608 |
| | **53.797** | **103.730** |

## NOTE 16 - FINANCIAL ASSETS

| | **2007** | **2006** |
|---|---|---|
| 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 |
| | **924.981** | **816.084** |

(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 Kablolu 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 |
| | | **711.585** | | **596.426** |

| | 2007 | 2006 |
|---|---|---|
| **Balance at the beginning of the year** | **596.426** | **512.139** |
| Fair value gains | 115.155 | 84.275 |
| Purchase of financial assets | 4 | 12 |
| **Balance at the end of the year** | **711.585** | **596.426** |

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 |
| | **99.000** | **111.747** |

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

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

## NOTE 16 - FINANCIAL ASSETS (Continued)

### 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 |
| | | **111.129** | | **102.872** |

| | 2007 | 2006 |
|---|---|---|
| **Balance at the beginning of the year** | **102.872** | **84.998** |
| 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) |
| **Balance at the end of the year** | **111.129** | **102.872** |

| | 2007 | 2006 |
|---|---|---|
| ***Income from associates*** | | |
| Koç Tüketici Finansmanı A.Ş. | 9.074 | 10.853 |
| Arçelik 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 |
| | **14.235** | **22.492** |

### 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 |
| | | **3.267** | | **5.039** |

(*) Trade name of the company was annihilitated in 2007.
(**) Merged with Beko Llc in 2007.
(***) Included in the scope of consolidation in 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) |
| **Net carrying value** | **1.788** | | | | **3.377** |

| | 1 January 2006 | Additions | Disposals | Translation differences | 2006 |
|---|---|---|---|---|---|
| Goodwill | 4.229 | - | (2.605) | 420 | 2.044 |
| Accumulated amortisation | (965) | - | 846 | (137) | (256) |
| **Net carrying value** | **3.264** | | | | **1.788** |

## 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) |
| **Net carrying value** | **2.786** | | | | **3.463** |

(*) 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) |
| **Net carrying value** | **2.418** | | | | **2.786** |

(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 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| 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 |
| | **3.064.389** | **16.531** | **261.046** | **(168.122)** | **(2.009)** | **(51.548)** | **3.120.287** |
| **Accumulated Depreciation** | | | | | | | |
| 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) |
| | **(1.949.220)** | **-** | **(138.738)** | **157.950** | **176** | **17.427** | **(1.912.405)** |
| **Net carrying value** | **1.115.169** | | | | | | **1.207.882** |

(*) The property, plant and equipment with a net book value of TRY16.531 is related to the acquisition of Beko China (Note 32).

(**) The properrty plant and equipment classfied as Land and Buildings with net book values of TRY1.073 and TRY760 have been transferred to Investment Property and Intangible Assets respectively from Property Plant and Equipment with net book values of TRY1.073 and TRY760, 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.

(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 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Land | 13.813 | - | 2.273 | (707) | (696) | 636 | 15.319 |
| Land improvement | 31.454 | - | 1.313 | (248) | - | 95 | 32.614 |
| Buildings | 346.955 | - | 12.075 | (5.703) | 94.876 | 8.647 | 456.850 |
| Machinery and equipment | 2.097.871 | - | 206.132 | (48.367) | 25.228 | 24.137 | 2.305.001 |
| Motor vehicles, furniture and fixtures | 193.807 | - | 15.006 | (18.570) | 4.793 | 9.349 | 204.385 |
| Leasehold improvements | 32.978 | - | 580 | (7) | - | 280 | 33.831 |
| Construction in progress | 46.156 | - | 78.378 | - | (120.828) | 6.329 | 10.035 |
| Advances given | 4.584 | - | 6.275 | - | (5.208) | 703 | 6.354 |
| | **2.767.618** | **-** | **322.032** | **(73.602)** | **(1.835)** | **50.176** | **3.064.389** |
| **Accumulated Depreciation** | | | | | | | |
| Land improvement | (11.332) | - | (1.483) | 117 | - | (7) | (12.705) |
| Buildings | (125.987) | - | (9.008) | 1.508 | - | (3.549) | (137.036) |
| Machinery and equipment | (1.537.285) | - | (119.647) | 43.627 | 370 | (13.768) | (1.626.703) |
| Motor vehicles, furniture and fixtures | (152.272) | - | (14.954) | 17.496 | 148 | (7.428) | (157.010) |
| Leasehold improvements | (10.160) | - | (5.543) | 7 | - | (70) | (15.766) |
| | **(1.837.036)** | **-** | **(150.635)** | **62.755** | **518** | **(24.822)** | **(1.949.220)** |
| **Net carrying value** | **930.582** | | | | | | **1.115.169** |

(*) Property, plant and equipment received as guarantees for trade receivables and classified as Land and Buildings with a net carrying value of TRY1.317 have been transferred to "Other Current Assets" from "Property, Plants and Equipments".

At 31 December 2006, there are mortgages amounting to TRY93.851 on property, plant and equipment.

(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 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| 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 |
| | **178.058** | **1.575** | **55.567** | **(956)** | **760** | **(3.854)** | **231.150** |
| **Accumulated Amortisation** | | | | | | | |
| Rights | (36.470) | - | (4.822) | 908 | - | 786 | (39.598) |
| Development costs | - | - | (488) | - | - | - | (488) |
| Other intangible assets | (14.707) | - | (263) | 44 | - | 109 | (14.817) |
| | **(51.177)** | **-** | **(5.573)** | **952** | **-** | **895** | **(54.903)** |
| **Net carrying value** | **126.881** | | | | | | **176.247** |

(*) 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 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| 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 |
| | **88.907** | | **84.774** | **(2.541)** | **1.386** | **5.532** | **178.058** |
| **Accumulated Amortisation** | | | | | | | |
| 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) |
| | **(45.064)** | **-** | **(5.623)** | **1.901** | **(1.386)** | **(1.005)** | **(51.177)** |
| **Net carrying value** | **43.843** | | | | | | **126.881** |

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

## NOTE 21 - ADVANCES RECEIVED

| | **2007** | **2006** |
|---|---|---|
| Order advances received | 66.941 | 54.378 |
| Other advances received | 618 | 344 |
| | **67.559** | **54.722** |

## NOTE 22 - RETIREMENT PLANS

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

## NOTE 23 - PROVISIONS

| **a) Short-term provisions** | **2007** | **2006** |
|---|---|---|
| Tax provision (Note 41) | 4.741 | 2.266 |

| **b) Long-term provisions** | **2007** | **2006** |
|---|---|---|
| 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 TRY2,03019 (31 December 2006: TRY1,85744) 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.

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

## 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:

| | 2007 | 2006 |
|---|---|---|
| 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 TRY2,08792 (1 January 2007: TRY1,96069) 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:

| | 2007 | 2006 |
|---|---|---|
| **Balance at the beginning of the year** | **52.852** | **47.947** |
| Increase during the year | 20.126 | 24.812 |
| Payments during the year | (16.672) | (20.863) |
| Translation differences | (151) | 956 |
| **Balance at the end of the year** | **56.155** | **52.852** |

## NOTE 24 - MINORITY INTERESTS

Changes in minority interest during the year are as follows:

| | 2007 | 2006 |
|---|---|---|
| **Balance at the beginning of the year** | **32.890** | **81.746** |
| 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) |
| **Balance at the end of year** | **28.277** | **32.890** |

(*) 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".

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

## NOTE 25 - SHARE CAPITAL/ADJUSTMENT TO SHARE CAPITAL

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

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

| | 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:

| | 2007 | | 2006 | |
|---|---|---|---|---|
| **Shareholders** | **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 |
| **Total** | **100,00** | **399.960** | **100,00** | **399.960** |
| Adjustment to share capital | | 468.811 | | 468.811 |
| **Total paid-in share capital** | | **868.771** | | **868.771** |

The shareholder of the Company, Koç Holding, has pledged its shares in the Company with a nominal value of TRY28.146 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: TRY156.546).

## 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 TRY199.980 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.

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

## 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 |
| **Total shareholders' equity** | **2.117.453** | **2.103.647** |

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 |
| | **399.960** | **1.148.944** | **748.984** |

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

## 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 |
| **Net foreign currency position** | **156.197** | **(103.751)** |

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

## 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 |
|---|---|---|---|---|---|---|---|
| **Current assets** | | | | | | | |
| 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 |
| **Non-current assets** | | | | | | | |
| 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 |
| **Total assets** | **804.410** | **546.434** | **188.489** | **111.843** | **124.678** | **111.529** | **1.887.383** |
| **Current liabilities** | | | | | | | |
| 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 |
| **Non-current liabilities** | | | | | | | |
| 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 |
| **Total liabilities** | **755.963** | **700.322** | **134.053** | **40.970** | **33.549** | **66.130** | **1.730.987** |
| **Net balance sheet position** | **48.447** | **(153.888)** | **54.436** | **70.873** | **91.129** | **45.399** | **156.396** |
| **Off-balance sheet derivative instruments** | **(60.769)** | **72.399** | **-** | **-** | **-** | **(11.829)** | **(199)** |
| **Net foreign currency position** | **(12.322)** | **(81.489)** | **54.436** | **70.873** | **91.129** | **33.570** | **156.197** |

The net foreign currency position of the Group as of 31 December 2007 is positive TRY156.197 equivalent to EUR91.332.479.

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

## 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 |
|---|---|---|---|---|---|---|---|
| **Current assets:** | | | | | | | |
| 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 |
| **Non-current assets:** | | | | | | | |
| 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 | - | - | - | - | - | - | - |
| **Total assets** | **929.977** | **367.615** | **242.554** | **140.729** | **76.877** | **69.198** | **1.826.950** |
| **Current liabilities:** | | | | | | | |
| Short-term bank borrowings | 28.431 | 79.022 | - | - | - | - | 107.453 |
| Current maturities of long-term bank borrowings | 177.400 | 44.784 | 34.051 | 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 |
| **Non-current liabilities:** | | | | | | | |
| 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 |
| **Total liabilities** | **1.045.909** | **647.557** | **220.379** | **63.694** | **5.863** | **45.352** | **2.028.754** |
| **Net balance sheet position** | **(115.932)** | **(279.942)** | **22.175** | **77.035** | **71.014** | **23.846** | **(201.804)** |
| **Off-balance sheet derivative instruments** | **27.773** | **70.280** | **-** | **-** | **-** | **-** | **98.053** |
| **Net foreign currency position** | **(88.159)** | **(209.662)** | **22.175** | **77.035** | **71.014** | **23.846** | **(103.751)** |

The net foreign currency position of the Group as of 31 December 2006 is negative TRY103.751 equivalent to EUR56.036.187.

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

## 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) Exception 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

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

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

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

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

| | **2007** | **2006** |
|---|---|---|
| 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 USD1.216.309.825 in 2007 (2006: USD1.286.690.953).

## 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.

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

## 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) |
| **Net assets acquired (%100)** | **10.987** |
| Total acquisition cost | 12.576 |
| Cash and due from banks - acquired | (4.699) |
| **Cash outflow on acquisition (net)** | **7.877** |

*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 Koç Holding, TRY21.164 to Zer Ticaret (previously known as Beko Ticaret), TRY1.384 to Temel Ticaret ve Yatırım A.Ş. and TRY6.973 to Koç family, for a purchase consideration of TRY190.032 that is determined by considering the arithmetic average of the weighted average of the share prices on the ISE between 3 April and 29 September 2006 and increased its interest in Beko Elektronik's capital from 22,36% to 72,46%.

This acquisition is defined as a business combination involving entities under common control, since the combining entities are ultimately controlled by the same party or parties both before and after the aforementioned business combination. Arçelik has decided to apply an accounting policy in line with 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".

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

## 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)**

| | 2007 | 2006 |
|---|---|---|
| White goods | 4.168.493 | 3.852.495 |
| Consumer electronics | 1.149.101 | 1.853.316 |
| Other | 1.304.950 | 1.252.872 |
| | **6.622.544** | **6.958.683** |

**b) Gross operating profit**

| | 2007 | 2006 |
|---|---|---|
| White goods | 1.380.256 | 1.393.210 |
| Consumer electronics | 194.381 | 242.955 |
| Other | 196.882 | 206.883 |
| | **1.771.519** | **1.843.048** |

**c) Segment assets**

| | 2007 | 2006 |
|---|---|---|
| White goods | 4.260.294 | 3.984.037 |
| Consumer electronics | 1.355.590 | 1.497.340 |
| Other | 554.611 | 549.435 |
| **Segment assets** | **6.170.495** | **6.030.812** |
| **Unallocated:** | | |
| Cash and cah equivalents | 302.492 | 288.796 |
| Deferred tax assets | 53.812 | 58.437 |
| **Consolidated total assets** | **6.526.799** | **6.378.045** |

(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 |
| **Segment liabilities** | **1.182.122** | **1.792.949** |
| **Unallocated:** | | |
| Financial liabilities | 3.139.656 | 2.411.376 |
| Deferred tax liabilities | 54.494 | 34.666 |
| Other | 4.797 | 2.517 |
| **Consolidated total liabilities** | **4.381.069** | **4.241.508** |

### 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 |
| | **335.968** | **325.784** |

**Depreciation and amortisation**

| | 2007 | 2006 |
|---|---|---|
| White goods | 102.099 | 105.096 |
| Consumer electronics | 35.342 | 39.613 |
| Other | 7.046 | 11.329 |
| | **144.487** | **156.308** |

(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.

| | **2007** | **2006** |
|---|---|---|
| **Segment sales** | | |
| Turkey | 3.289.719 | 3.603.342 |
| Europe | 2.753.527 | 2.972.913 |
| Other | 579.298 | 382.428 |
| | **6.622.544** | **6.958.683** |

| **Segment assets** | **2007** | **2006** |
|---|---|---|
| Turkey | 5.116.707 | 5.271.405 |
| Europe | 1.083.347 | 889.354 |
| Other | 326.745 | 217.286 |
| | **6.526.799** | **6.378.045** |

| | **2007** | **2006** |
|---|---|---|
| **Segment capital expenditure** | | |
| Turkey | 268.160 | 195.622 |
| Europe | 19.919 | 37.857 |
| Other (*) | 47.889 | 92.305 |
| | **335.968** | **325.784** |

(*) 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.

## 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 TRY174.000 to TRY348.000 in cash within the registered capital limit and to issue 174.000.000 shares to represent the increased capital with a nominal TRY1 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 TRY14.735. 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 EUR35.000.000 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 EUR2.000.000 for the year 2008 and EUR3.000.000 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.

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

## NOTE 36 - OPERATING INCOME

| | 2007 | 2006 |
|---|---|---|
| Domestic sales | 3.477.710 | 3.821.074 |
| Foreign sales | 3.793.178 | 3.671.139 |
| **Gross sales** | **7.270.888** | **7.492.213** |
| Less: Discounts | (648.344) | (533.530) |
| **Net sales** | **6.622.544** | **6.958.683** |

## 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) |
| **Operating expenses** | **(1.254.278)** | **(1.349.263)** |

## 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 |
| **Other income** | **50.750** | **48.689** |
| **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) |
| **Other expenses** | **(48.648)** | **(84.935)** |

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

## NOTE 39 - FINANCIAL INCOME/EXPENSES

| | 2007 | 2006 |
|---|---|---|
| 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 |
| **Financial income** | **390.845** | **452.753** |
| 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) |
| **Financial expenses** | **(725.898)** | **(570.343)** |
| **Financial expenses (net)** | **(335.053)** | **(117.590)** |

## 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).

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

## NOTE 41 - TAXES ON INCOME

| | **2007** | **2006** |
|---|---|---|
| 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) |
| | **5.423** | **(21.505)** |

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 25th days of the fourth month following the close of the related fiscal year. Payments can be made up until the end of the month in which the tax return is to be 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.

(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:

| | **2007** | **2006** |
|---|---|---|
| Taxes on income | | |
| - current | (42.262) | (120.651) |
| - deferred | (19.056) | 48.866 |
| **Taxes on income (net)** | **(61.318)** | **(71.785)** |

## NOTE 42 - EARNINGS PER SHARE

The earnings per share for each year are as follows:

| | **2007** | **2006** |
|---|---|---|
| Net income | 157.765 | 324.147 |
| Weighted average number of ordinary shares with nominal value of TRY1 each | 399.960.000 | 399.960.000 |
| **Earnings per share (TRY)** | **0,39445** | **0,81045** |

(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:

| | **2007** | **2006** |
|---|---|---|
| **Changes in reserves** | | |
| 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 |
| | **(60.160)** | **189.594** |

| | | |
|---|---|---|
| **Changes in operating assets and liabilities** | | |
| 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) |
| | **(469.030)** | **(884.335)** |

(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:

| | 2007 | 2006 |
|---|---|---|
| Current assets | 172.969 | 179.519 |
| Non-current assets | 23.968 | 26.522 |
| **Total assets** | **196.937** | **206.041** |
| Current liabilities | 171.347 | 150.354 |
| Non-current liabilities | 71.096 | 78.088 |
| Shareholders' equity | (45.506) | (22.401) |
| **Total liabilities and shareholders' equity** | **196.937** | **206.041** |

| | 2007 | 2006 |
|---|---|---|
| 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) |

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