

ARÇELİK ANONİM ŞİRKETİ

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 SEPTEMBER 2008**

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2008

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CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS
AT 30 SEPTEMBER 2008 AND 31 DECEMBER 2007

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

| | | | <i>Restated</i> |
|---------------------------------|-------|-------------------|------------------|
| | Notes | 30 September 2008 | 31 December 2007 |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 6 | 233.245 | 302.492 |
| Trade receivables | 8 | 2.825.868 | 2.442.969 |
| Inventories | 9 | 1.240.023 | 1.220.196 |
| Other current assets | 18 | 150.097 | 175.068 |
| Total current assets | | 4.449.233 | 4.140.725 |
| Non-current assets | | | |
| Trade receivables | 8 | 14.511 | 18.144 |
| Financial assets | 10 | 764.249 | 813.852 |
| Associates | 11 | 125.522 | 111.129 |
| Investment property | 12 | 7.353 | 3.463 |
| Property, plant and equipment | 13 | 1.205.924 | 1.206.050 |
| Intangible assets | 14 | 358.327 | 176.247 |
| Goodwill | 15 | 12.789 | 3.377 |
| Deferred tax assets | 16 | 56.848 | 53.812 |
| Total non-current assets | | 2.545.523 | 2.386.074 |
| Total assets | | 6.994.756 | 6.526.799 |

These condensed interim consolidated financial statements as at and for the period ended 30 September 2008 have been approved for issue by the Board of Directors on 11 November 2008 and signed on its behalf by Fatih Kemal Ebiçlioğlu, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS
AT 30 SEPTEMBER 2008 AND 31 DECEMBER 2007

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

| | Notes | 30 September 2008 | Restated 31 December 2007 |
|---|-------|-------------------|------------------------------|
| LIABILITIES | | | |
| Current liabilities | | | |
| Financial liabilities | 7 | 2.012.585 | 2.076.459 |
| Other payables | | 111.078 | 95.447 |
| Trade payables | 8 | 820.445 | 660.740 |
| Current income tax liabilities | 16 | 3.982 | 4.741 |
| Provisions | 17 | 200.262 | 187.430 |
| Other current liabilities | 18 | 136.299 | 132.337 |
| Total current liabilities | | 3.284.651 | 3.157.154 |
| Non-current liabilities | | | |
| Financial liabilities | 7 | 1.302.387 | 995.872 |
| Trade payables | 8 | 53.836 | 60.038 |
| Provisions for employee benefits | | 61.396 | 56.155 |
| Deferred tax liabilities | 16 | 78.437 | 54.494 |
| Provisions | 17 | 57.894 | 52.258 |
| Other non-current liabilities | 18 | 13.843 | 5.098 |
| Total non-current liabilities | | 1.567.793 | 1.223.915 |
| Total liabilities | | 4.852.444 | 4.381.069 |
| Shareholders' Equity | | | |
| Share capital | 19 | 399.960 | 399.960 |
| Adjustment to share capital | 19 | 468.811 | 468.811 |
| Share premium | | 96 | 96 |
| Revaluation fund | 19 | 387.322 | 440.749 |
| Translation reserve | | (23.327) | (16.585) |
| Restricted reserves | 19 | 157.713 | 142.973 |
| Prior years' income | | 562.234 | 523.684 |
| Net income for the period | | 135.151 | 157.765 |
| Attributable to | | | |
| Equity holders of the parent | | 2.087.960 | 2.117.453 |
| Minority interest | | 54.352 | 28.277 |
| Total shareholders' equity | | 2.142.312 | 2.145.730 |
| Total liabilities and shareholders' equity | | 6.994.756 | 6.526.799 |

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE - MONTH PERIODS ENDED 30 SEPTEMBER

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

| | Notes | 1 January - 30 September 2008 | <i>Restated</i> 1 January - 30 September 2007 | 1 July - 30 September 2008 | <i>Restated</i> 1 July - 30 September 2007 |
|-------------------------------------|-------|-------------------------------------|--|----------------------------------|---|
| Net sales | | 5.093.450 | 5.158.068 | 1.755.134 | 1.745.467 |
| Cost of sales | | (3.674.367) | (3.796.324) | (1.278.927) | (1.300.718) |
| Gross profit | | 1.419.083 | 1.361.744 | 476.207 | 444.749 |
| Selling and marketing expenses | | (769.186) | (661.712) | (264.531) | (197.612) |
| General administrative expenses | | (236.304) | (228.865) | (75.149) | (76.518) |
| Research and development expenses | | (35.785) | (25.368) | (13.600) | (10.363) |
| Other income | 20 | 28.577 | 33.178 | 11.704 | 8.885 |
| Other expenses | 20 | (25.610) | (27.404) | (11.584) | (3.518) |
| Operating profit | | 380.775 | 451.573 | 123.047 | 165.623 |
| Income from associates | 11 | 14.393 | 15.821 | (4.139) | 5.909 |
| Financial income | 21 | 484.195 | 307.255 | 71.856 | 123.091 |
| Financial expenses | 21 | (732.613) | (550.880) | (187.793) | (208.314) |
| Income before tax | | 146.750 | 223.769 | 2.971 | 86.309 |
| Income tax expense | | | | | |
| - Taxes on income | 16 | (44.073) | (52.290) | (10.778) | (13.400) |
| - Deferred tax income | 16 | 10.114 | (8.230) | (4.376) | (15.977) |
| Net income / (expense) | | 112.791 | 163.249 | (12.183) | 56.932 |
| Attributable to: | | | | | |
| Minority interest | | (22.360) | (9.933) | (12.423) | (8.748) |
| Equity holders of the parent | | 135.151 | 173.182 | 240 | 65.680 |
| Earnings per share (TRY) | 23 | 0,3379 | 0,4330 | 0,0006 | 0,1642 |

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ARÇELİK ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTH - PERIODS ENDED 30 SEPTEMBER 2008 AND 2007

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

| | Share capital | Adjustment to share capital | Share premium | Revaluation funds | Translation differences | Restricted reserves | Prior years' income | Net income | Minority interest | Total shareholders' equity |
|--------------------------------------|----------------|-----------------------------------|------------------|----------------------|----------------------------|------------------------|------------------------|----------------|----------------------|----------------------------------|
| Balances at 1 January 2007 | 399.960 | 468.811 | 96 | 330.845 | 15.421 | 107.492 | 456.875 | 324.147 | 32.890 | 2.136.537 |
| Transfers | - | - | - | - | - | - | 324.147 | (324.147) | - | - |
| Dividends paid | - | - | - | - | - | 35.481 | (235.461) | - | (2.782) | (202.762) |
| Financial assets fair value gain | - | - | - | 78.913 | - | - | - | - | - | 78.913 |
| Translation differences | - | - | - | - | (22.399) | - | - | - | (1.749) | (24.148) |
| Net income | - | - | - | - | - | - | - | 173.182 | (9.933) | 163.249 |
| Balances at 30 September 2007 | 399.960 | 468.811 | 96 | 409.758 | (6.978) | 142.973 | 545.561 | 173.182 | 18.426 | 2.151.789 |
| Balances at 1 January 2008 | 399.960 | 468.811 | 96 | 440.749 | (16.585) | 142.973 | 523.684 | 157.765 | 28.277 | 2.145.730 |
| Capital increase | - | - | - | - | - | - | - | - | 33.184 | 33.184 |
| Transfers | - | - | - | - | - | - | 157.765 | (157.765) | - | - |
| Dividends paid | - | - | - | - | - | 14.740 | (114.730) | - | (170) | (100.160) |
| Financial assets fair value loss | - | - | - | (88.937) | - | - | - | - | - | (88.937) |
| Non-current assets revaluation funds | - | - | - | - | - | - | - | - | - | - |
| - Acquisition | - | - | - | 40.965 | - | - | - | - | 12.452 | 53.417 |
| - Amortisation effect | - | - | - | (1.353) | - | - | 1.764 | - | (411) | - |
| - Deferred tax effect | - | - | - | 325 | - | - | - | - | 99 | 424 |
| Translation differences | - | - | - | (4.427) | (6.847) | - | - | - | (2.863) | (14.137) |
| Transactions with minority interests | - | - | - | - | 105 | - | (6.249) | - | 6.144 | - |
| Net income | - | - | - | - | - | - | - | 135.151 | (22.360) | 112.791 |
| Balances at 30 September 2008 | 399.960 | 468.811 | 96 | 387.322 | (23.327) | 157.713 | 562.234 | 135.151 | 54.352 | 2.142.312 |

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CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ARÇELİK ANONİM ŞİRKETİ

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

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

| | Notes | 30 September 2008 | 30 September 2007 |
|--|-------|-------------------|-------------------|
| | | | <i>Restated</i> |
| Operating activities: | | | |
| Income before tax | | 146.750 | 223.769 |
| <i>Adjustments to reconcile net cash provided from operating activities to income before tax</i> | | | |
| Changes in provisions | 26 | 78.904 | 26.776 |
| Depreciation and amortisation | 5 | 120.890 | 113.872 |
| Interest income | 21 | (10.617) | (15.019) |
| Interest expenses | 21 | 327.442 | 268.903 |
| Income from associates (net) | 11 | (14.393) | (15.821) |
| Loss from sales of tangible and intangible assets (net) | | 3.010 | 5.594 |
| Loss from sales of financial assets | | - | 1.234 |
| | | 651.986 | 609.308 |
| Changes in operating assets and liabilities (net) | 26 | (261.445) | (595.887) |
| Corporate taxes paid | | (52.605) | (45.836) |
| Cash flows from operating activities | | 337.936 | (32.415) |
| Investing activities: | | | |
| Cash provided from sales of tangible and intangible assets | | 4.026 | 4.246 |
| Acquisition of tangible and intangible assets | 5 | (151.533) | (219.663) |
| Cash outflow due to acquisition of subsidiaries | 3 | (55.246) | (7.813) |
| Cash provided from sales of financial assets | | - | 1.598 |
| Increase in share capital of financial assets | | (38.293) | - |
| Translation differences (net) | | (7.987) | (3.584) |
| Cash flows from investing activities | | (249.033) | (225.216) |
| Financing activities: | | | |
| Dividends paid | 24 | (100.160) | (202.762) |
| Interest paid | | (325.703) | (243.859) |
| Interest received | 21 | 10.617 | 15.019 |
| Dividends received | 24 | - | 3.320 |
| Capital increase | | 33.184 | - |
| Decrease/ (increase) in financial assets (net) | 10 | (5.686) | 10.038 |
| Increase in bank borrowings (net) | 7 | 229.598 | 719.003 |
| Cash flows from financing activities | | (158.150) | 300.759 |
| Net increase/ (decrease) in cash and cash equivalents | | (69.247) | 43.128 |
| Cash and cash equivalents at the beginning of the period | | 302.492 | 288.796 |
| Cash and cash equivalents at the end of the period | | 233.245 | 331.924 |

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

ARÇELİK ANONİM ŞİRKETİ

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

NOTE 1 - GROUP’S ORGANISATION AND NATURE OF OPERATIONS

Arçelik Anonim Şirketi (a Turkish corporation - “Arçelik” or “the Company”) and its subsidiaries 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 30 September 2008, the publicly quoted shares are 21,29% of the total shares. At September 2008, the principal shareholders and their respective shareholdings in the Company are as follows (Note 19):

| | % |
|---|---------------|
| 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 number of employees of the Group as at the period end is 18.782. (31 December 2007: 17.333).

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

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

| <u>Subsidiaries</u> | <u>Country of incorporation</u> | <u>Core Business</u> | <u>Nature of business</u> |
|--|---------------------------------|----------------------|-------------------------------|
| Beko Italy SRL ("Beko Italy") (1) | 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 Electronics Llc ("Beko Electronics Russia") (2) | Russia | 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") | Slovakia | Sales | Consumer durables/Electronics |
| Beko S.A. ("Beko Polska") | Poland | Sales | Consumer durables/Electronics |
| Beko S.A. Czech Republic ("Beko Czech") | Czech Republic | Sales | Consumer durables/Electronics |
| Beko S.A. Hungary ("Beko Hungary") | Hungary | Sales | Consumer durables/Electronics |
| Beko Shanghai Trading Company Ltd. ("Beko Shanghai") | China | Sales | Consumer durables/Electronics |
| Blomberg Vertriebsgesellschaft GmbH ("Blomberg Vertrieb") (3) | Germany | Sales | Consumer durables/Electronics |
| Blomberg Werke GmbH ("Blomberg Werke") (3) | Germany | Production | Consumer durables/Electronics |
| Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China") | China | Production | Consumer durables/Electronics |
| Elektra Bregenz AG ("Elektra Bregenz") | Austria | Sales | Consumer durables/Electronics |
| Fusion Digital Technology Ltd. ("Fusion Digital") (3) | U.K. | Technology | Electronics |
| Grundig Electronics A.Ş. ("Grundig Electronics") (4) | Turkey | Production/Sales | Electronics |
| Grundig Multimedia B.V. ("Grundig Multimedia") (5) | Netherlands | Investment | Holding |
| Grundig AG ("Grundig Switzerland") (5) | Sweden | Sales | Electronics |
| Grundig Benelux B.V. ("Grundig Benelux") (5) | Netherlands | Sales | Electronics |
| Grundig Ceska Republika S.r.o ("Grundig Ceska") (5) | Czech Republic | Sales | Electronics |
| Grundig Danmark A/S ("Grundig Denmark") (5) | Denmark | Sales | Electronics |
| Grundig España S.A. ("Grundig Espana") (5) | Spain | Sales | Electronics |
| Grundig Intermedia Ges.m.b.H ("Grundig Austria") (5) | Austria | Sales | Electronics |
| Grundig Intermedia GmbH ("Grundig Intermedia") (5) | Germany | Sales | Electronics |
| Grundig Intermedia Trgovina, d.o.o. ("Grundig Slovenia") (3) (5) | Slovenia | Sales | Electronics |
| Grundig Italiana S.p.A. ("Grundig Italy") (5) | Italy | Sales | Electronics |
| Grundig Magyarország Kft. ("Grundig Hungary") (5) | Hungary | Sales | Electronics |
| Grundig Norge AS ("Grundig Norway") (5) | Norway | Sales | Electronics |
| Grundig OY ("Grundig Finland") (5) | Finland | Sales | Electronics |
| Grundig Polska Sp. z o.o. ("Grundig Polska") (5) | Poland | Sales | Electronics |
| Grundig Portuguesa, Lda ("Grundig Portugal") (5) | Portugal | Sales | Electronics |
| Grundig Slovakia s.r.o ("Grundig Slovakia") (5) | Slovakia | Sales | Electronics |
| Grundig Svenska AB. ("Grundig Sweden") (5) | Sweden | Sales | Electronics |
| Grundig S.A.S. ("Grundig France") (5) | France | Sales | Electronics |
| Raupach Wollert GmbH ("Raupach") | Germany | Investment | Holding |
| SC Arctic SA ("Arctic") | Romania | Production/Sales | Consumer durables/Electronics |

- (1) Business title of Arcelitalia was changed as Beko Italy SRL.
- (2) The production of CRT televisions has been ceased.
- (3) Liquidation in process.
- (4) Business title of Beko Electronics A.Ş. was changed as Grundig Electronics A.Ş. by the decision of the General Assembly.
- (5) As a result of the acquisition in 2008, the related companies became subsidiaries (Note 3).

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008

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

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

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

The consolidated financial statements of the Group have been prepared in accordance with the accounting and reporting principles published by the CMB, namely “CMB Financial Reporting Standards”. CMB regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué No: XI-29, “Principles of Financial Reporting in Capital Markets” (“the Communiqué”). The Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes the Communiqué No: XI-25, “The Accounting Standards in the Capital Markets”. According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards (“IAS/IFRS”) endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board (“IASB”) are announced by Turkish Accounting Standards Board (“TASB”), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards (“TAS/TFRS”) issued by the TASB which are in line with the aforementioned standards shall be considered.

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

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

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FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

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

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

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

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 differences” under the shareholders’ equity.

Comparatives and adjustment of prior periods’ 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. Comparative figures are reclassified, where necessary, to enable conformity with the presentation of the current period consolidated financial statements and the significant changes are explained.

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

2.2 Restatement and Errors in the Accounting Policies and Estimates

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

2.3 Summary of Significant Accounting Policies

The condensed interim consolidated financial statements of the Group for the period ended 30 September 2008 have been prepared in accordance with IAS 34 “Interim Financial Reporting”. The accounting policies used in the preparation of these condensed interim consolidated financial statements are consistent with those used in the preparation of annual consolidated financial statements for the year ended 31 December 2007. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2007.

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

Group accounting

The condensed interim consolidated financial statements, which have been prepared in accordance with the principles disclosed in the annual consolidated financial statements for the year ended 31 December 2007, include the accounts of Arçelik and its Subsidiaries.

As a result of the acquisition of Grundig Multimedia (Note 3) in 2008, the following joint-ventures became subsidiaries as at 31 March 2008. Moreover, the pre-emptive rights not used in relation with the capital increase of Grundig Elektronik on 22 January 2008, were purchased by Arçelik. As a consequence of the aforementioned acquisition and capital increase, the ownership interests and economic interests of the Group in the related subsidiaries have been changed as below.

| | 30 September 2008 | | 31 December 2007 | |
|------------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|
| | Ownership interest (%) | Economic interest (%) | Ownership interest (%) | Economic interest (%) |
| Grundig Elektronik | 76,69 | 76,69 | 72,46 | 72,46 |
| Grundig Multimedia | 100,00 | 76,69 | 50,00 | 36,23 |
| Grundig Austria | 100,00 | 76,69 | 50,00 | 36,23 |
| Grundig Benelux | 100,00 | 76,69 | 50,00 | 36,23 |
| Grundig Czech Republic | 100,00 | 76,69 | 50,00 | 36,23 |
| Grundig Denmark | 100,00 | 76,69 | 50,00 | 36,23 |
| Grundig Espana | 100,00 | 76,69 | 50,00 | 36,23 |
| Grundig Finland | 100,00 | 76,69 | 50,00 | 36,23 |
| Grundig France | 100,00 | 76,69 | 50,00 | 36,23 |
| Grundig Intermedia | 100,00 | 76,69 | 50,00 | 36,23 |
| Grundig Italy | 100,00 | 76,69 | 50,00 | 36,23 |
| Grundig Hungary | 100,00 | 76,69 | 50,00 | 36,23 |
| Grundig Norway | 100,00 | 76,69 | 50,00 | 36,23 |
| Grundig Portugal | 100,00 | 76,69 | 50,00 | 36,23 |
| Grundig Polska | 100,00 | 76,69 | 50,00 | 36,23 |
| Grundig Slovakia | 100,00 | 76,69 | 50,00 | 36,23 |
| Grundig Sweden | 100,00 | 76,69 | 50,00 | 36,23 |
| Grundig Switzerland | 100,00 | 76,69 | 50,00 | 36,23 |

For the nine month period ended 30 September 2008, there has been no change in the ownership interests and economic interests of the Group except for the subsidiaries mentioned above.

2.4 Convenience translation into English of condensed interim consolidated financial statements originally issued in Turkish

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

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NOTE 3 - BUSINESS COMBINATIONS

Business combinations in 2008

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

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

| | |
|--|-----------------|
| Acquisition cost - cash ⁽¹⁾ | 70.547 |
| Liabilities attributable to the combination ⁽²⁾ | 13.595 |
| Costs directly attributable to the combination | 302 |
| Total acquisition cost | 84.444 |
| Net assets acquired | (73.891) |
| Goodwill (Note 15) | 10.553 |

- (1) The portion of the purchase consideration amounting to EUR35.000.000 paid in cash during the share transfer
- (2) The portion of the purchase consideration was determined as certain percentages of revenues earned under Grundig brand in United Kingdom and Ireland between the years 2008-2012 and will be paid in five years installments. The percentages are 4% for the years 2008-2010 (the consideration will not exceed EUR2.000.000 for the year 2008 and EUR3.000.000 for the years 2009 and 2010, per annum) and 2% for the years 2011 and 2012.

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

| | Carrying value | Fair value |
|---|----------------|---------------|
| Cash and cash equivalents | 15.603 | 15.603 |
| Trade receivables | 91.869 | 91.869 |
| Due from related parties | 223 | 223 |
| Inventories | 60.509 | 60.509 |
| Other current assets | 4.208 | 4.208 |
| Financial assets | 36 | 36 |
| Investment property (Note 12) | 4.170 | 4.170 |
| Property, plant and equipment (Note 13) | 1.047 | 1.047 |
| Intangible assets (Note 14) | 22.600 | 94.301 |
| Other non-current assets | 432 | 432 |
| Financial liabilities | (11.304) | (11.304) |
| Trade payables | (9.952) | (9.952) |
| Due to related parties | (103.794) | (103.794) |
| Deferred tax liabilities (Note 16) | (3.328) | (21.612) |
| Other liabilities | (51.845) | (51.845) |
| Net assets acquired (50%) | 20.474 | 73.891 |

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NOTE 3 - BUSINESS COMBINATIONS (Continued)

The details of cash outflow on acquisition are as follows:

| | |
|--|---------------|
| Acquisition cost - cash | 70.547 |
| Costs directly attributable to the combination | 302 |
| Cash and cash equivalents - acquired | (15.603) |
| Cash outflow on acquisition (net) | 55.246 |

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.

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

| | |
|--|---------------|
| Cash and cash equivalents | 4.699 |
| Inventories | 3.824 |
| Property, plant and equipment | 16.531 |
| Intangible assets | 1.575 |
| Trade and other receivables | 6.293 |
| Financial liabilities | (4.294) |
| Trade and other payables | (17.641) |
| Net assets acquired (100%) | 10.987 |
| Acquisition cost - cash | 12.576 |
| Cash and cash equivalents - acquired | (4.699) |
| Cash outflow on acquisition (net) | 7.877 |

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NOTE 4 - INTEREST IN JOINT VENTURES

Aggregate amounts of assets, liabilities and net income of the Joint Ventures which are proportionately consolidated to these consolidated financial statements, are as follows before consolidation adjustments:

| | 31 December 2007 | | |
|--------------------------|--|--|---|
| Current assets | | | 172.969 |
| Non-current assets | | | 23.968 |
| Total assets | | | 196.937 |
| Current liabilities | | | 171.347 |
| Non-current liabilities | | | 71.096 |
| Total liabilities | | | 242.443 |
| | 1 January - 31 March 2008 | 1 January - 30 September 2007 | 1 July - 30 September 2007 |
| Net sales | 73.515 | 185.335 | 72.505 |
| Gross operating profit | 16.039 | 31.907 | 14.018 |
| Net operating loss | (2.058) | (20.458) | (3.099) |
| Net loss | (4.177) | (21.961) | (2.627) |

Grundig Multimedia became a subsidiary as a result of the Group's acquisition of 50% shares of the company on 31 March 2008.

NOTE 5 - SEGMENT REPORTING

Primary reporting format - industrial segment

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

a) Segment revenues (net)

| | 1 January - 30 September 2008 | 1 January - 30 September 2007 | 1 July - 30 September 2008 | 1 July - 30 September 2007 |
|----------------------|--|--|---|---|
| White goods | 3.191.139 | 3.274.322 | 1.122.091 | 1.140.908 |
| Consumer electronics | 996.973 | 986.422 | 305.316 | 323.868 |
| Other | 905.338 | 897.324 | 327.727 | 280.691 |
| Total | 5.093.450 | 5.158.068 | 1.755.134 | 1.745.467 |

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NOTE 5 - SEGMENT REPORTING (Continued)

b) Gross profit

| | 1 January - 30 September 2008 | 1 January - 30 September 2007 | 1 July - 30 September 2008 | 1 July - 30 September 2007 |
|----------------------|-------------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| White goods | 1.074.254 | 1.080.517 | 372.999 | 356.334 |
| Consumer electronics | 198.306 | 136.942 | 50.713 | 42.327 |
| Other | 146.523 | 144.285 | 52.495 | 46.088 |
| Total | 1.419.083 | 1.361.744 | 476.207 | 444.749 |

c) Segment assets

| | 30 September 2008 | 31 December 2007 |
|----------------------|-------------------|------------------|
| White goods | 4.484.600 | 4.260.294 |
| Consumer electronics | 1.539.680 | 1.355.590 |
| Other | 680.383 | 554.611 |
| Total | 6.704.663 | 6.170.495 |

Unallocated

| | | |
|---------------------------|---------|---------|
| Cash and cash equivalents | 233.245 | 302.492 |
| Deferred tax assets | 56.848 | 53.812 |

Consolidated total assets

6.994.756 6.526.799

d) Segment liabilities

| | 30 September 2008 | 31 December 2007 |
|----------------------|-------------------|------------------|
| White goods | 907.534 | 788.245 |
| Consumer electronics | 352.985 | 332.743 |
| Other | 88.719 | 61.134 |
| Total | 1.349.238 | 1.182.122 |

Unallocated

| | | |
|--------------------------|-----------|-----------|
| Financial liabilities | 3.314.972 | 3.072.331 |
| Deferred tax liabilities | 78.437 | 54.494 |
| Other | 109.797 | 72.122 |

Consolidated total liabilities

4.852.444 4.381.069

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NOTE 5 - SEGMENT REPORTING (Continued)

e) Segment capital expenditures, depreciation and amortisation

| | 1 January - 30 September 2008 | 1 January - 30 September 2007 | 1 July - 30 September 2008 | 1 July - 30 September 2007 |
|-----------------------------|-------------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| Capital expenditures | | | | |
| White goods | 121.676 | 187.419 | 41.626 | 74.942 |
| Consumer electronics | 29.003 | 28.961 | 12.597 | 12.864 |
| Other | 854 | 3.283 | 215 | 1.131 |
| | 151.533 | 219.663 | 54.438 | 88.937 |

Depreciation and amortisation

| | | | | |
|----------------------|----------------|----------------|---------------|---------------|
| White goods | 84.913 | 81.713 | 26.557 | 27.057 |
| Consumer electronics | 30.506 | 26.379 | 9.816 | 8.190 |
| Other | 5.471 | 5.780 | 2.123 | 2.234 |
| | 120.890 | 113.872 | 38.496 | 37.481 |

Secondary reporting format - geographical segment

The Group's geographical segments are Turkey and Europe.

Segment revenues

| | 1 January - 30 September 2008 | 1 January - 30 September 2007 | 1 July - 30 September 2008 | 1 July - 30 September 2007 |
|--------------|-------------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| Turkey | 2.661.090 | 2.692.970 | 957.784 | 816.068 |
| Europe | 1.871.313 | 2.068.858 | 607.534 | 787.629 |
| Other | 561.047 | 396.240 | 189.816 | 141.770 |
| Total | 5.093.450 | 5.158.068 | 1.755.134 | 1.745.467 |

Segment assets

| | 30 September 2008 | 31 December 2007 |
|--------|-------------------|------------------|
| Turkey | 5.402.632 | 5.116.707 |
| Europe | 1.252.440 | 1.083.347 |
| Other | 339.684 | 326.745 |
| | 6.994.756 | 6.526.799 |

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NOTE 5 - SEGMENT REPORTING (Continued)

Segment capital expenditures

| | 1 January - 30 September 2008 | 1 January - 30 September 2007 | 1 July - 30 September 2008 | 1 July - 30 September 2007 |
|--------------|-------------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| Turkey | 138.737 | 181.103 | 49.574 | 76.678 |
| Europe | 7.378 | 15.148 | 2.622 | 395 |
| Other (*) | 5.418 | 23.412 | 2.242 | 11.864 |
| Total | 151.533 | 219.663 | 54.438 | 88.937 |

(*) 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 6 - CASH AND CASH EQUIVALENTS

| | 30 September 2008 | 31 December 2007 |
|-------------------|-------------------|------------------|
| Cash in hand | 322 | 215 |
| Cash at banks | | |
| - Time deposits | 124.017 | 146.410 |
| - Demand deposits | 67.430 | 99.695 |
| Cheques and notes | 40.205 | 51.871 |
| Other | 1.271 | 4.301 |
| | 233.245 | 302.492 |

The maturities of cash and cash equivalents are as follows:

| | 30 September 2008 | 31 December 2007 |
|---------------|-------------------|------------------|
| Up to 30 days | 222.571 | 290.617 |
| 30 - 90 days | 9.987 | 11.875 |
| 90 - 365 days | 687 | - |
| | 233.245 | 302.492 |

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

| | 30 September 2008 | 31 December 2007 |
|-----|-------------------|------------------|
| USD | 4,54 | 5,35 |
| EUR | 3,99 | 4,16 |
| RON | 7,50 | 5,64 |

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NOTE 7 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

| | 30 September 2008 | 31 December 2007 |
|---|-------------------|------------------|
| Short-term bank borrowings | 1.227.596 | 1.300.864 |
| Short-term portion of long-term bank borrowings | 784.773 | 775.510 |
| Other | 216 | 85 |
| | 2.012.585 | 2.076.459 |

Short-term bank borrowings

| | | |
|------------------------|------------------|------------------|
| TRY loans | 1.045.702 | 1.090.709 |
| Foreign currency loans | 127.153 | 150.553 |
| Eximbank loans | 54.741 | 59.602 |
| | 1.227.596 | 1.300.864 |

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

| | 30 September 2008 | 31 December 2007 |
|------------------------|-------------------|------------------|
| TRY loans | 17,79 | 17,77 |
| Foreign currency loans | 6,49 | 6,22 |

b) Long-term financial liabilities

| | 30 September 2008 | 31 December 2007 |
|---------------------------|-------------------|------------------|
| Long-term bank borrowings | 1.302.185 | 995.816 |
| Other | 202 | 56 |
| | 1.302.387 | 995.872 |

As of 30 September 2008, the details of the long-term bank borrowings are as follows:

| Currency | Effective interest rate (%) | Original currency | TRY amount |
|--------------------------|-----------------------------|-------------------|------------------|
| YTL | 17,73 | 1.153.148.096 | 1.153.148 |
| EUR | 6,15 | 382.868.542 | 688.321 |
| USD | 6,52 | 181.906.034 | 226.499 |
| RUB | 8,35 | 384.150.097 | 18.990 |
| | | | 2.086.958 |
| Less: Current maturities | | | (784.773) |
| | | | 1.302.185 |

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NOTE 7 - FINANCIAL LIABILITIES (Continued)

As of 31 December 2007, the details of the 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 |

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

| | 30 September 2008 | 31 December 2007 |
|---------------|-------------------|------------------|
| 2009 | 477.444 | 456.813 |
| 2010 | 580.911 | 290.565 |
| 2011 | 180.830 | 176.123 |
| 2012 and over | 63.000 | 72.315 |
| | 1.302.185 | 995.816 |

The exposure of the group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows :

| | 30 September 2008 | 31 December 2007 |
|----------------|-------------------|------------------|
| Up to 6 months | 2.742.497 | 2.132.296 |
| 6 - 12 months | 169.331 | 364.476 |
| 1 - 3 years | 318.152 | 374.639 |
| 3 - 5 years | 84.992 | 200.920 |
| | 3.314.972 | 3.072.331 |

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES

| Short-term trade receivables | 30 September 2008 | 31 December 2007 |
|---|-------------------|------------------|
| Trade receivables | 1.303.565 | 929.676 |
| Notes receivables | 1.369.812 | 1.364.577 |
| Cheques receivables | 156.637 | 85.705 |
| Due from related parties (Note 24) | 131.139 | 169.971 |
| Doubtful receivables | 77.988 | 71.959 |
| | 3.039.141 | 2.621.888 |
| Less: Provision for doubtful receivables | (74.665) | (66.520) |
| Less: Unearned credit finance income | (138.608) | (112.399) |
| Short-term trade receivables (net) | 2.825.868 | 2.442.969 |

Movements in the provision for doubtful receivables are as follows:

| | 30 September 2008 | 30 September 2007 |
|---|-------------------|-------------------|
| Balance at the beginning of the period | 66.520 | 69.122 |
| Current year additions | 4.244 | 2.611 |
| Acquisitions | 3.019 | - |
| Recoveries of doubtful receivables | (1.815) | (8.750) |
| Translation differences | 2.697 | - |
| Balance at the end of the period | 74.665 | 62.983 |

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

| | 30 September 2008 | 31 December 2007 |
|-------------------|-------------------|------------------|
| 0-3 months | 2.021 | - |
| 3-6 months | 3.293 | 12.095 |
| 6 months and over | 69.351 | 54.425 |
| | 74.665 | 66.520 |

Long-term trade receivables

| | | |
|-------------------|---------------|---------------|
| Trade receivables | 14.511 | 18.144 |
| | 14.511 | 18.144 |

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

| | 30 September 2008 | 31 December 2007 |
|----------------------------------|-------------------|------------------|
| Short-term trade payables | | |
| Trade payables | 627.488 | 554.260 |
| Due to related parties (Note 24) | 197.143 | 113.189 |
| Unearned credit finance charges | (4.186) | (6.709) |
| | 820.445 | 660.740 |
| Long-term trade payables | | |
| Trade payables | 613 | - |
| Due to related parties (Note 24) | 53.223 | 60.038 |
| | 53.836 | 60.038 |

NOTE 9 - INVENTORIES

| | 30 September 2008 | 31 December 2007 |
|---|-------------------|------------------|
| Raw materials and supplies | 560.715 | 628.893 |
| Work in progress | 50.163 | 45.321 |
| Finished goods | 265.717 | 241.549 |
| Merchandise | 405.688 | 350.204 |
| | 1.282.283 | 1.265.967 |
| Less: Provision for impairment on inventories | (42.260) | (45.771) |
| | 1.240.023 | 1.220.196 |

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

| | 30 September 2008 | 31 December 2007 |
|----------------------------|-------------------|------------------|
| Raw materials and supplies | 15.717 | 15.393 |
| Finished goods | 10.316 | 14.504 |
| Merchandise | 16.227 | 15.874 |
| | 42.260 | 45.771 |

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NOTE 9 – INVENTORIES (Continued)

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

| | 30 September 2008 | 30 September 2007 |
|---|-------------------|-------------------|
| Balance at the beginning of the period | 45.771 | 42.251 |
| Current period additions (Note 20) | 5.756 | 10.050 |
| Acquisitions | 6.336 | - |
| Realised due to sales of inventory | (13.746) | (20.345) |
| Reversal | (2.566) | - |
| Translation differences | 709 | - |
| Balance at the end of the period | 42.260 | 31.956 |

NOTE 10 - FINANCIAL ASSETS

| | 30 September 2008 | 31 December 2007 |
|---|-------------------|------------------|
| Available-for-sale investments | 656.290 | 711.585 |
| Held-to-maturity investments | 104.686 | 99.000 |
| Financial assets excluded from the scope of consolidation | 3.273 | 3.267 |
| | 764.249 | 813.852 |

a) Available-for-sale investments

| | 30 September 2008 | | 31 December 2007 | |
|---|-------------------|----------------|------------------|----------------|
| | % | YTL | % | YTL |
| Koç Finansal Hizmetler A.Ş. | 7,66 | 635.719 | 7,66 | 695.847 |
| Entek Elektrik Üretimi San. ve Tic .A.Ş. | 6,86 | 17.140 | 6,86 | 12.340 |
| Ultra Kablolulu TV ve Telekomünikasyon San. Tic. A.Ş. | 7,50 | 1.901 | 7,50 | 1.901 |
| Tat Konserve Sanayii A.Ş. | 0,34 | 1.433 | 0,34 | 1.429 |
| Other | - | 97 | - | 68 |
| | | 656.290 | | 711.585 |

| | 30 September 2008 | 30 September 2007 |
|---|-------------------|-------------------|
| Balance at the beginning of the period | 711.585 | 595.724 |
| Fair value gains / (losses) | (93.618) | 83.243 |
| Increase in share capital | 38.293 | - |
| Acquisitions | 30 | - |
| Balance at the end of the period | 656.290 | 678.967 |

The unrealised gains (net) arising from changes in the fair value of the investments amounting to TRY370.328, net off deferred tax effect amounting to TRY18.516, are recognised in consolidated shareholders' equity under the "financial assets fair value reserve" at 30 September 2008. (31 December 2007: TRY463.946).

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NOTE 10 - FINANCIAL ASSETS (Continued)

b) Held-to-maturity investments

| | 30 September 2008 | 31 December 2007 |
|---------------------|-------------------|------------------|
| Time deposits (USD) | 104.686 | 99.000 |
| | 104.686 | 99.000 |

As of 30 September 2008, the effective interest rate of time deposits 7,75% (31 December 2007: 7,59%).

c) Financial assets excluded from the scope of consolidation

| | <u>30 September 2008</u> | | <u>31 December 2007</u> | |
|--|--------------------------|--------------|-------------------------|--------------|
| | % | YTL | % | YTL |
| Beko Shanghai | 100,00 | 3.259 | 100,00 | 3.259 |
| ArticPro SRL | 100,00 | 2 | 100,00 | 2 |
| Grundig Intermedia Trgovina, d.o.o., Ljubljana | 100,00 | 12 | 50,00 | 6 |
| | | 3.273 | | 3.267 |

NOTE 11 - ASSOCIATES

| | <u>30 September 2008</u> | | <u>31 December 2007</u> | |
|--|--------------------------|----------------|-------------------------|----------------|
| | % | YTL | % | YTL |
| Koç Tüketici Finansmanı A.Ş. | 47,00 | 63.388 | 47,00 | 57.876 |
| Arçelik LG Klima Sanayi ve Ticaret A.Ş. | 45,00 | 54.815 | 45,00 | 46.737 |
| Ram Dış Ticaret A.Ş. | 33,50 | 5.040 | 33,50 | 4.581 |
| Tanı Pazarlama ve İletişim Hizmetleri A.Ş. | 32,00 | 2.279 | 32,00 | 1.935 |
| | | 125.522 | | 111.129 |

| | 30 September 2008 | 30 September 2007 |
|---|-------------------|-------------------|
| Balance at the beginning of the period | 111.129 | 102.872 |
| Income from associates | 14.393 | 15.821 |
| Dividends received from associates | - | (3.320) |
| Disposals | - | (2.389) |
| Translation differences | - | (270) |
| Balance at the end of the period | 125.522 | 112.714 |

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NOTE 11 - ASSOCIATES (Continued)

Income from associates

| | 1 January - 30 September 2008 | 1 January - 30 September 2007 | 1 July- 30 September 2008 | 1 July - 30 September 2007 |
|--|-------------------------------------|-------------------------------------|---------------------------------|----------------------------------|
| Koç Tüketici Finansmanı A.Ş. | 5.512 | 8.205 | (3.221) | 3.533 |
| Arçelik LG Klima Sanayi ve Ticaret A.Ş. | 8.078 | 4.443 | (1.191) | 630 |
| Ram Dış Ticaret A.Ş. | 459 | 2.704 | 167 | 1.853 |
| Ram Pacific Ltd. | - | 906 | - | - |
| Tanı Pazarlama ve İletişim Hizmetleri A.Ş. | 344 | (437) | 106 | (107) |
| | 14.393 | 15.821 | (4.139) | 5.909 |

NOTE 12 - INVESTMENT PROPERTY

| | 2008 | 2007 |
|--|--------------|--------------|
| As of 1 January1 | | |
| Cost | 4.808 | 4.052 |
| Accumulated depreciation | (1.345) | (1.266) |
| Net book value | 3.463 | 2.786 |
| Net book value at the beginning of the period | 3.463 | 2.786 |
| Acquisitions | 4.170 | - |
| Transfers | - | (2.633) |
| Translation differences | (240) | (140) |
| Current period depreciation | (40) | (13) |
| Net book value at the end of the period | 7.353 | - |
| As of 30 September | | |
| Cost | 10.136 | 1.214 |
| Accumulated depreciation | (2.783) | (1.214) |
| Net book value - 30 September | 7.353 | - |

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NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

| | 1 January 2008 | Acquisitions | Additions | Disposals | Transfers | Translation differences | 30 September 2008 |
|---|---------------------------|---------------------|------------------|------------------|------------------|------------------------------------|------------------------------|
| Cost | | | | | | | |
| Land | 16.225 | - | 210 | (121) | - | 81 | 16.395 |
| Land improvement | 27.378 | - | 446 | (3) | - | 31 | 27.852 |
| Buildings | 489.767 | 31 | 1.150 | (548) | 16.965 | 4.409 | 511.774 |
| Machinery and equipment | 2.328.562 | 1.115 | 56.023 | (34.573) | 21.933 | 4.572 | 2.377.632 |
| Motor vehicles, furniture and fixtures | 196.136 | 1.205 | 9.781 | (12.334) | - | 507 | 195.295 |
| Leasehold improvements | 34.544 | - | 210 | - | - | (54) | 34.700 |
| Construction in progress | 25.843 | 96 | 40.436 | (61) | (38.898) | 542 | 27.958 |
| | 3.118.455 | 2.447 | 108.256 | (47.640) | - | 10.088 | 3.191.606 |
| Accumulated Depreciation | | | | | | | |
| Land improvement | (13.120) | - | (753) | 3 | - | - | (13.870) |
| Buildings | (143.132) | (96) | (8.960) | 192 | - | (348) | (152.344) |
| Machinery and equipment | (1.587.864) | (466) | (90.515) | 30.766 | - | (1.308) | (1.649.387) |
| Motor vehicles, furniture and fixtures | (147.099) | (838) | (6.863) | 9.876 | - | (243) | (145.167) |
| Leasehold improvements | (21.190) | - | (3.748) | - | - | 24 | (24.914) |
| | (1.912.405) | (1.400) | (110.839) | 40.837 | - | (1.875) | (1.985.682) |
| Net book value | 1.206.050 | | | | | | 1.205.924 |

There is no mortgage on property, plant and equipment at 30 September 2008.

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NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

| | 1 January 2007 | Additions | Disposals | Transfer | Translation differences | 30 September 2007 |
|---|--------------------|------------------|-----------------|----------------|----------------------------|----------------------|
| Cost | | | | | | |
| Land | 15.319 | 1.149 | (7) | - | (202) | 16.259 |
| Land improvement | 32.614 | 344 | (39) | (330) | (30) | 32.559 |
| Buildings | 456.850 | 416 | (1.727) | 1.254 | (12.255) | 444.538 |
| Machinery and equipment | 2.305.001 | 75.895 | (66.402) | 16.070 | (15.683) | 2.314.881 |
| Motor vehicles, furniture and fixtures | 204.385 | 8.575 | (7.688) | 1.127 | (3.153) | 203.246 |
| Leasehold improvements | 33.831 | 502 | - | - | (204) | 34.129 |
| Construction in progress | 10.035 | 90.294 | (401) | (19.183) | (326) | 80.419 |
| | 3.058.035 | 177.175 | (76.264) | (1.062) | (31.853) | 3.126.031 |
| Accumulated Depreciation | | | | | | |
| Land improvement | (12.705) | (891) | 9 | - | - | (13.587) |
| Buildings | (137.036) | (8.194) | 1.752 | 26 | 1.460 | (141.992) |
| Machinery and equipment | (1.626.703) | (86.003) | 62.996 | - | 5.725 | (1.643.985) |
| Motor vehicles, furniture and fixtures | (157.010) | (10.268) | 7.150 | - | 2.376 | (157.754) |
| Leasehold improvements | (15.766) | (4.271) | - | - | 286 | (19.751) |
| | (1.949.220) | (109.627) | 71.907 | 26 | 9.845 | (1.977.069) |
| Net book value | 1.108.815 | | | | | 1.148.962 |

There is no mortgage on property, plant and equipment at 30 September 2007.

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NOTE 14 - INTANGIBLE ASSETS

| | 2008 | 2007 |
|--|--------------------------|--------------------------|
| As of 1 January | | |
| Cost | 231.150 | 178.058 |
| Accumulated amortisation | (54.903) | (51.177) |
| Net book value | 176.247 | 126.881 |
| Net book value at the beginning of the period | 176.247 | 126.881 |
| Acquisitions (Note 3) (*) | 94.301 | - |
| Fair value differences (*) | 71.701 | - |
| Additions | 43.277 | 42.488 |
| Disposals | (233) | (5) |
| Translation differences | (16.955) | (2.765) |
| Current period amortisation | (10.011) | (4.232) |
| Net book value at the end of the period | 358.327 | 162.367 |
| As of 30 September | | |
| Cost | 423.241 | 216.032 |
| Accumulated amortisation | (64.914) | (53.665) |
| Net book value | 358.327 | 162.367 |
| | 30 September 2008 | 30 September 2007 |
| Brands and rights | 265.826 | 116.825 |
| Development costs | 83.984 | 40.229 |
| Other | 8.517 | 5.313 |
| Total | 358.327 | 162.367 |

(*) As a result of the Grundig acquisition (the 50%) realised in 2004, the corresponding 50% of intangible assets had been accounted for. According to the Grundig acquisition realised in 2008 (the other 50%), all the intangible assets with the net book value amounting to TRY45.200 have been accounted for with their total fair value determined as TRY188.604 (Grundig brand: TRY173.446, trademark licences: TRY13.061, other: TRY2.095) in accordance with IFRS 3. Consequently, the portion related to the acquisition in 2008 (50%: TRY94.301) has been accounted for as the acquisition, and the difference between the portion related to the acquisition realised in 2004 (50%: TRY94.301) and the net book value (50%: TRY22.600) has been accounted for as fair value gain (TRY71.701).

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NOTE 15 - GOODWILL

| | 2008 | 2007 |
|---|---------------|--------------|
| Net book value at the beginning of the period | 3.377 | 1.788 |
| Acquisitions (Note 3) | 10.553 | - |
| Translation differences | (1.141) | - |
| Net book value at the end of the period - 30 September | 12.789 | 1.788 |

NOTE 16 - TAX ASSETS AND LIABILITIES

| | 30 September 2008 | 31 December 2007 |
|---------------------------------------|-------------------|------------------|
| Corporation and income taxes | 40.039 | 41.293 |
| Less: prepaid tax | (36.057) | (36.552) |
| Taxes payable (net) | 3.982 | 4.741 |
| Deferred tax assets | 56.848 | 53.812 |
| Deferred tax liabilities | (78.437) | (54.494) |
| Deferred tax liabilities (net) | (21.589) | (682) |

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

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

The taxes on income reflected to the interim consolidated income statements for the six - month periods ended 30 September are summarised as follows:

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NOTE 16 - TAX ASSETS AND LIABILITIES (Continued)

| | 1 January - 30 September 2008 | 1 January - 30 September 2007 | 1 April - 30 September 2008 | 1 April - 30 September 2007 |
|------------------------------|-------------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|
| Taxes on income | | | | |
| - Current period tax expense | (44.073) | (52.290) | (10.778) | (13.400) |
| - Deferred tax income | 10.114 | (8.230) | (4.376) | (15.977) |
| Taxes on income (net) | (33.959) | (60.520) | (15.154) | (29.377) |

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

Deferred taxes calculated using the principal tax rates of the tax authorities of each country that the Group operates in as of 30 September 2008 are as follows:

| | | | |
|----------------|--------|----------|--------|
| Germany | %39,62 | Spain | %30,00 |
| Austria | %25,00 | Italy | %37,25 |
| Czech Republic | %20,00 | Hungary | %16,00 |
| China | %25,00 | Poland | %19,00 |
| France | %33,33 | Romania | %16,00 |
| Netherlands | %25,50 | Russia | %20,00 |
| United Kingdom | %28,00 | Slovakia | %19,00 |

The breakdowns of cumulative temporary differences and the resulting deferred tax assets/liabilities provided as of 30 September 2008 and 31 December 2007 using principal tax rates are as follows:

| | Cumulative temporary differences | | Deferred Tax assets/(liabilities) | |
|--|-------------------------------------|---------------------|--------------------------------------|---------------------|
| | 30 September 2008 | 31 December 2007 | 30 September 2008 | 31 December 2007 |
| Property, plant and equipment and intangible assets | 633.557 | 427.903 | (116.043) | (81.962) |
| Available-for-sale investments | 370.328 | 463.946 | (18.516) | (23.197) |
| Unused tax credits | (213.225) | (198.643) | 42.870 | 39.714 |
| Provision for warranty and assembly | (161.381) | (160.747) | 32.273 | 31.993 |
| Provision for employment termination benefits | (60.035) | (55.118) | 12.007 | 11.010 |
| Unearned credit finance income | (41.710) | (39.704) | 8.342 | 7.941 |
| Provision for doubtful receivables (net) | (25.209) | (14.962) | 4.977 | 3.020 |
| Provision for impairment on inventories | (24.599) | (29.906) | 4.906 | 5.981 |
| Accrual for licenses expenses | (15.301) | (8.313) | 3.060 | 1.663 |
| Accrual for export sales expenses | (3.562) | (10.331) | 712 | 2.066 |
| Other | (20.830) | 3.100 | 3.823 | 1.089 |
| Deferred tax assets / (liabilities) (net) | | | (21.589) | (682) |

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NOTE 16 - TAX ASSETS AND LIABILITIES (Continued)

| | 2008 | 2007 |
|---|-----------------|---------------|
| Balance at the beginning of the period | (682) | 23.771 |
| Acquisitions (Note 3) | (21.612) | - |
| Fair value difference of intangible assets (Note 3) | (18.284) | - |
| Fair value difference of financial assets | 4.680 | (4.159) |
| Charged to revaluation fund | 328 | - |
| Charged to the income statement | 10.114 | (8.230) |
| Translation differences | 3.867 | (193) |
| Balance at the end of the period | (21.589) | 11.189 |

NOTE 17 - PROVISIONS

| Short-term provisions | 30 September 2008 | 31 December 2007 |
|---------------------------------|-------------------|------------------|
| Warranty provision | 93.297 | 110.704 |
| Assembly provision | 44.254 | 35.418 |
| Provision for cost and expenses | 8.163 | 5.030 |
| Transportation provision | 9.710 | 9.962 |
| Other | 44.838 | 26.316 |
| | 200.262 | 187.430 |

| Long-term provisions | 30 September 2008 | 31 December 2007 |
|----------------------|-------------------|------------------|
| Warranty provision | 56.682 | 52.258 |
| Other | 1.212 | - |
| | 57.894 | 52.258 |

NOTE 18 - OTHER ASSETS AND LIABILITIES

| Other current assets | 30 September 2008 | 31 December 2007 |
|---------------------------------|-------------------|------------------|
| Order advances given | 85.907 | 76.127 |
| Prepaid expenses | 23.131 | 7.811 |
| VAT and PCT receivables (*) | 8.641 | 36.722 |
| Prepaid taxes and funds | 7.975 | 22.566 |
| Advances given for fixed assets | 6.660 | 1.832 |
| Income accruals | 4.287 | 6.128 |
| Deductible taxes and funds | 3.959 | 14.674 |
| Assets held for sale | 1.994 | 1.813 |
| Other | 7.543 | 7.395 |
| | 150.097 | 175.068 |

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

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NOTE 18 - OTHER ASSETS AND LIABILITIES (Continued)

| Other current liabilities | 30 September 2008 | 31 December 2007 |
|---|--------------------------|-------------------------|
| Accrual for sales and marketing expenses | 62.296 | 44.773 |
| Accrual for licenses expenses | 19.642 | 8.376 |
| Accrual for bonuses and premiums | 18.879 | 1.631 |
| Accrual for customer premiums | 14.525 | 4.101 |
| Advances received | 12.740 | 67.559 |
| Accrual for advertising expenses | 2.029 | 2.704 |
| Other | 6.188 | 3.193 |
| | 136.299 | 132.337 |
| Other non-current liabilities | 30 September 2008 | 31 December 2007 |
| Liabilities attributable to the acquisition | 9.036 | - |
| Other | 4.807 | 5.098 |
| | 13.843 | 5.098 |

NOTE 19 - SHAREHOLDERS' EQUITY

Share Capital

The Company adopted the registered share capital system available to companies registered with the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of Ykr1. Registered and issued share capital of the Company is as follows:

| | 30 September 2008 | 31 December 2007 |
|---------------------------------------|--------------------------|-------------------------|
| Limit on registered share capital | 1.500.000 | 500.000 |
| Issued share capital in nominal value | 399.960 | 399.960 |

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

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NOTE 19 - SHAREHOLDERS' EQUITY (Continued)

The shareholding structures of the Company are as follows:

| <u>Shareholders</u> | <u>30 September 2008</u> | | <u>31 December 2007</u> | |
|--|--------------------------|----------------|-------------------------|----------------|
| | 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 Family | 9,81 | 39.252 | 9,81 | 39.252 |
| Burla Ticaret ve Yatırım A.Ş. | 7,66 | 30.649 | 7,66 | 30.649 |
| Koç Holding Emekli ve Yardım Sandığı Vakfi | 4,50 | 17.982 | 4,50 | 17.982 |
| Other | 24,21 | 96.822 | 24,21 | 96.822 |
| Paid-in share capital | 100,00 | 399.960 | 100,00 | 399.960 |
| Adjustment to share capital (*) | | 468.811 | | 468.811 |
| Total share capital | | 868.771 | | 868.771 |

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

Revaluation Funds

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

| | 30 September 2008 | 31 December 2007 |
|---|--------------------------|-------------------------|
| Financial assets fair value reserve (net) | 351.812 | 440.749 |
| Non-current assets fair value reserve (net) (*) | 35.510 | - |
| Total revaluation funds (net) | 387.322 | 440.749 |

(*) Consists of the differences (net-off minority interests and deferred tax) between the carrying value and the fair value of the intangible assets (e.g. brand) revalued in accordance with IFRS 3 as a result of the Grundig Multimedia acquisition.

The movements in the revaluation funds are presented in the consolidated statements of changes in shareholders' equity.

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NOTE 19 - SHAREHOLDERS' EQUITY (Continued)

Restricted Reserves

Turkish Commercial Code stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's paid-in share capital. Under Turkish Commercial Code, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. In addition, according to Exemption for Sale of Participation Shares and Property, a 75% portion of corporations' profits arising from such sales are not withdrawn within 5 years and are followed in special reserves.

The details of these restricted reserves are as follows:

| | 30 September 2008 | 31 December 2007 |
|------------------|-------------------|------------------|
| Legal reserves | 157.660 | 142.920 |
| Special reserves | 53 | 53 |
| Total | 157.713 | 142.973 |

Prior Years' Income

In accordance with the CMB regulations effective until 1 January 2008, "Capital, Share Premiums, Legal Reserves, Special Reserves and Extraordinary Reserves" were recorded at their statutory carrying amounts and the inflation adjustment differences related to such accounts were recorded under "inflation adjustment differences" at the initial application of inflation accounting. "Equity inflation adjustment differences" could have been utilised in issuing bonus shares and offsetting accumulated losses, carrying amount of extraordinary reserves could have been utilised in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from 1 January 2008, "Share capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amounts. The valuation differences shall be classified as follows:

- the difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital";
- the difference due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount that has not been utilised in dividend distribution or capital increase yet, shall be classified under "Prior years' income".

Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

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NOTE 19 - SHAREHOLDERS' EQUITY (Continued)

Accordingly, "Prior years' income" is restated as follows:

| | |
|--|----------------|
| As of 31 December 2007 - as previously reported | 175.147 |
| Extraordinary reserves | 114.192 |
| Inflation adjustment to shareholders' equity | 234.345 |
| As of 1 January 2008 - restated | 523.684 |

Dividend Distribution

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 whole amount of distributable profit should be distributed. If it exceeds the statutory net distributable profit, the whole 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 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 within the context of CMB Financial Reporting Standards, 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 the decision of Capital Markets Board on 8 January 2008 no 4/138 the minimum profit distribution ratio shall be applied as 20% (31 December 2007: 20%) in relation to publicly-listed joint stock partnerships as of 1 January 2008. Accordingly, it has been made possible that shares, issued in cash or through the addition of dividend to the capital upon the decision of the Company's general assembly, can be distributed to the shareholders as bonus shares or that the distribution can be partly made in cash and partly through bonus shares. It has been further enabled that initial dividend amount be left to the partnership without distribution, if such amount is lower than the 5% of the existing paid-up/issued capital amount. Nevertheless, with regard to the joint stock partnerships, which have increased its capital without performing a dividend distribution as to the previous period and which separates its shares as "new" and "old", it has been made obligatory for those partnerships, which will distribute dividend out of its 2007 profits, to distribute the initial dividend amount in cash.

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NOTE 20 - OTHER INCOME AND EXPENSES

| | 1 January - 30 September 2008 | 1 January - 30 September 2007 | 1 July - 30 September 2008 | 1 July - 30 September 2007 |
|---|-------------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| Other income | | | | |
| Income from claims and grants | 10.230 | 16.036 | 2.412 | 5.106 |
| Reversal of provisions | 7.392 | 7.624 | 3.363 | 1.277 |
| License income | 2.771 | 1.493 | 1.176 | 439 |
| Other | 8.184 | 8.025 | 4.753 | 2.063 |
| | 28.577 | 33.178 | 11.704 | 8.885 |
| Other expenses | | | | |
| Provision expense for impairment on inventories | 5.756 | 10.050 | 1.584 | 811 |
| Loss from sale of property, plant and equipment | 4.017 | 6.448 | 2.673 | 1.179 |
| Provision expense for doubtful receivables | 4.244 | 2.611 | 1.580 | 460 |
| Restructuring expenses | 4.452 | 2.730 | 4.452 | - |
| Loss from sale of investment | - | 1.234 | - | - |
| Other | 7.141 | 4.331 | 1.295 | 1.068 |
| | 25.610 | 27.404 | 11.584 | 3.518 |

NOTE 21 - FINANCIAL INCOME AND EXPENSES

| | 1 January - 30 September 2008 | 1 January - 30 September 2007 | 1 July - 30 September 2008 | 1 July - 30 September 2007 |
|----------------------------------|-------------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| Financial income | | | | |
| Foreign exchange gains | 277.309 | 141.259 | 11.275 | 65.906 |
| Credit finance income | 185.611 | 144.267 | 56.645 | 52.757 |
| Interest income | 10.617 | 15.019 | 2.031 | 4.428 |
| Foreign currency forward income | 7.789 | 4.388 | 920 | - |
| Other | 2.869 | 2.322 | 985 | - |
| | 484.195 | 307.255 | 71.856 | 123.091 |
| Financial expenses | | | | |
| Interest expense | 327.442 | 268.903 | 115.455 | 105.475 |
| Foreign exchange losses | 276.352 | 161.060 | 21.252 | 79.317 |
| Credit finance charges | 103.185 | 85.239 | 43.009 | 10.423 |
| Cash discounts expenses | 19.362 | 15.640 | 6.806 | 6.095 |
| Foreign currency forward expense | 3.101 | 13.704 | 692 | 2.368 |
| Other | 3.171 | 6.334 | 579 | 4.636 |
| | 732.613 | 550.880 | 187.793 | 208.314 |
| Financial expenses (net) | (248.418) | (243.625) | (115.936) | (85.223) |

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NOTE 22 - CONTINGENT ASSETS AND LIABILITIES

Guarantees and commitments given are as follows:

| | 30 September 2008 | 31 December 2007 |
|--|-------------------|------------------|
| Collateral obtained | 1.595.480 | 1.643.473 |
| Guarantee letters given to customs for imports | 50.727 | 59.186 |
| Standby letters of credit | 20.309 | 36.931 |
| Guarantee letters given to Eximbank for import loans | 52.450 | 70.070 |
| Guarantee letters given | 10.585 | 11.544 |
| Other guarantees given | 137.395 | 76.075 |
| Operational lease commitments | 2.311 | 2.988 |
| Pledges given | 1.293 | 1.453 |
| Other guarantees | 449 | 4.668 |

NOTE 23 - EARNINGS PER SHARE

| | 1 January - 30 September 2008 | 1 January - 30 September 2007 | 1 July - 30 September 2008 | 1 July - 30 September 2007 |
|--|-------------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| Net income attributable to the equity holders of the parent | 135.151 | 173.182 | 240 | 65.680 |
| Weighted average number of ordinary shares with nominal value TRY1 each | 399.960 | 399.960 | 399.960 | 399.960 |
| Earnings per share (TRY) | 0,3379 | 0,4330 | 0,0006 | 0,1642 |

NOTE 24 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related party balances

| a) Due from related parties | 30 September 2008 | 31 December 2007 |
|---|-------------------|------------------|
| Grundig Multimedia B.V. | - | 92.317 |
| Ram Dış Ticaret A.Ş. | 70.743 | 47.503 |
| Akpa Dayanıklı Tüketim Mal. San. Tic. Ltd. Şti. | 33.229 | 25.609 |
| Koçtaş Yapı Marketler | 14.989 | 2.407 |
| Other | 12.178 | 2.135 |
| | 131.139 | 169.971 |

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NOTE 24 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

b) Due to related parties **30 September 2008** **31 December 2007**

Short-term

| | | |
|---|----------------|----------------|
| Arçelik LG Klima Sanayi ve Ticaret A.Ş. | 114.622 | 22.824 |
| Ram Dış Ticaret A.Ş. | 64.525 | 45.792 |
| Zer Merkezi Hizmetler ve Ticaret A.Ş. | 15.104 | 26.599 |
| Koç Faktoring Hizmetleri A.Ş. | - | 1.477 |
| Other | 2.892 | 16.497 |
| | 197.143 | 113.189 |

Long-term

| | | |
|---------------------------------------|--------|--------|
| Zer Merkezi Hizmetler ve Ticaret A.Ş. | 53.223 | 60.038 |
|---------------------------------------|--------|--------|

c) Deposits **30 September 2008** **31 December 2007**

| | | |
|----------------------------|--------|--------|
| Yapı ve Kredi Bankası A.Ş. | 37.592 | 71.114 |
|----------------------------|--------|--------|

d) Bank borrowings **30 September 2008** **31 December 2007**

| | | |
|----------------------------|---------|---------|
| Yapı ve Kredi Bankası A.Ş. | 297.952 | 213.520 |
|----------------------------|---------|---------|

Transactions with related parties

a) Sales of goods and services

| | 1 January - 30 September 2008 | 1 January - 30 September 2007 | 1 July - 30 September 2008 | 1 July - 30 September 2007 |
|---|--|--|---|---|
| Akpa Dayanıklı Tüketim | 64.020 | 78.248 | 17.860 | 21.134 |
| Arçelik LG Klima Sanayi ve Ticaret A.Ş. | 21.550 | 31.460 | 13.121 | 23.339 |
| Grundig Multimedia B.V. | - | 107.937 | - | 72.350 |
| Other | 38.313 | 46.490 | 12.726 | 21.884 |
| | 123.883 | 264.135 | 43.707 | 138.707 |

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 in the period ending 30 September 2008 amounting TRY134.690 (30 September 2007: TRY127.681) have been eliminated equally in the consolidated financial statements.

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NOTE 24 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

b) Purchases of goods and services

| | 1 January - 30 September 2008 | 1 January - 30 September 2007 | 1 July - 30 September 2008 | 1 July - 30 September 2007 |
|---|-------------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| Arçelik LG Klima Sanayi ve Ticaret A.Ş. | 310.693 | 311.876 | 86.011 | 79.212 |
| Zer Merkezi Hizmetler ve Ticaret A.Ş. | 89.652 | 69.653 | 31.519 | 32.043 |
| Ram Dış Ticaret A.Ş. | 47.026 | 64.916 | 20.384 | 15.710 |
| Setur Servis Turistik A.Ş. | 7.056 | 11.397 | 2.012 | 8.092 |
| Palmira Turizm Ticaret A.Ş. | 6.953 | 10.575 | 535 | 3.627 |
| Türk Demir Döküm Fabrikaları A.Ş. (*) | - | 31.957 | - | 10.899 |
| Ram Pacific Ltd. (*) | - | 109.402 | - | - |
| Other | 57.459 | 46.380 | 26.298 | 19.905 |
| | 518.839 | 656.156 | 166.759 | 169.488 |

(*) The control / significant influence of Koç Group on the companies ceased following the sale of shares in 2007, therefore these companies are not considered as related parties.

c) Key management compensation

Total compensation provided to key management personnel by the Company during the period ended 30 September 2008 amounts to TRY13.657 (30 September 2007: TRY10.974).

d) Other transactions

| | 1 January - 30 September 2008 | 1 January - 30 September 2007 | 1 July - 30 September 2008 | 1 July - 30 September 2007 |
|--------------------|-------------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| Dividends paid | 100.160 | 202.762 | - | 2.782 |
| Dividends received | - | 3.320 | - | - |
| Interest expense | 37.947 | 24.917 | 19.086 | 16.807 |
| Interest income | 1.591 | 1.078 | 544 | 146 |

NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group is subject to credit risk, liquidity risk arising from the Group's trading activities, interest rate and currency risk attributable to the financial markets. These risks are managed in accordance with the principles as stated below:

Credit Risk

The Group is subject to credit risk which is attributable to trade receivables arising from sales on credit terms.

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**NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)**

The risk arising from the receivables from third parties is managed by the principle of receiving the highest level of guarantee. Types of collaterals received are as follows:

- Bank Collaterals (Letter of Guarantee, Letter of Credit, etc)
- Credit insurance (Global credit insurances, Eximbank insurances, etc.)
- Mortgages
- Cheques and Bills

The majority of these receivables are from authorised dealers in Turkey, whom the Company has effective controlling procedures in place with. In addition to guarantees explained above, the system which allows timely monitoring of dealer based credit risk, has an important function in risk management. With the help of this system, the monitored risks by the management can be restricted when deemed necessary. A record of Group’s long term relations established with the dealers and the amount of uncollected receivables being at a low level even in hard economic conditions is a consequence of the credit risk management.

The Group acts with the same principles of credit risk management to manage the financial assets. Investments are made in the instruments with the highest liquidity, the credit rating of the institution is considered in transactions.

Liquidity Risk

The Group avoids its risk of not fulfilling its trading and financial liabilities by managing the balance sheet with the expected cash flow.

Within that scope, the maturity structures of financial liabilities are arranged in line with the maturity structure of assets in balance sheet and any maturity mismatch is not tolerated. There is a level of “acid-test” ratio to manage the consolidated and stand alone balance sheets followed by Group Companies’ managements.

Additionally, consistent with the expectancy of free cash flow, essential amount of liquid assets and high quality credit resource are kept as available for access.

Interest Rate Risk

The Group is exposed to the risk arising from the change of interest rates due to the interest rate sensitive assets and liabilities. This risk is managed by balancing the amount and the maturities of interest rate sensitive assets and liabilities and with the derivative instruments when necessary.

In this context, besides matching of the maturities of receivables and liabilities, utmost attention is paid on the matching of interest renewal periods. In order to minimize the effect of interest rate fluctuations on financial liabilities, the “fixed rate/variable rate”, “short-term/floating” and “TRY/foreign currency” balances of such liabilities are structured in consistency within itself and with the assets.

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NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)

Foreign Currency Risk

The Group is exposed to foreign exchange risk through operations done using multiple currencies. The main principle to manage the foreign currency risk without being affected by the fluctuations of foreign exchange rate is to minimize the level of the open foreign currency position.

For this purpose, 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.

In order to manage currency risk, derivative instruments are used when deemed necessary. In that scope, the preferred method is forward foreign currency transactions.

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

As of 30 September 2008, if the before mentioned foreign currencies had strengthened/weakened by 10% against TRY with all other variables held constant, profit before tax and minority interests would have been TRY9.530 (December 2007: TRY15.620) lower/higher, as a result of foreign exchange losses/gains on the translation of the foreign exchange position.

a) Foreign currency position

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

| | 30 September 2008 | 31 December 2007 |
|--|--------------------------|-------------------------|
| Assets | 1.748.725 | 1.887.383 |
| Liabilities | (1.719.698) | (1.730.987) |
| Net balance sheet position | 29.027 | 156.396 |
| Off-balance sheet derivative instruments net position | 66.271 | (199) |
| Net foreign currency position | 95.298 | 156.197 |
| Hedge ratio of total foreign currency liabilities | %3,85 | %0,01 |

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NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

TRY equivalents of assets and liabilities denominated in foreign currency at 30 September 2008 are as follows:

| | EUR | USD | GBP | RON | RUB | Other | Total |
|---|------------------|-----------------|----------------|----------------|----------------|----------------|------------------|
| Current assets | | | | | | | |
| Cash and cash equivalents | 90.732 | 29.644 | 23.865 | 19.365 | 5.625 | 21.710 | 190.941 |
| Trade receivables | 629.358 | 57.318 | 109.663 | 48.816 | 57.920 | 77.104 | 980.179 |
| Inventories | 188.854 | 33.471 | 69.602 | 59.550 | 67.254 | 14.660 | 433.391 |
| Other current assets | 23.385 | 284 | - | 1.433 | 7.607 | 2.186 | 34.895 |
| Non-current assets | | | | | | | |
| Financial assets | - | 104.686 | - | - | - | - | 104.686 |
| Deferred tax assets | 1.018 | - | 254 | - | 1.408 | 1.953 | 4.633 |
| Total assets | 933.347 | 225.403 | 203.384 | 129.164 | 139.814 | 117.613 | 1.748.725 |
| Current liabilities | | | | | | | |
| Financial liabilities | 278.828 | 160.077 | - | 195 | 37.387 | - | 476.487 |
| Trade payables | 282.817 | 677 | 10.950 | 21.531 | 22.297 | 11.466 | 349.738 |
| Current income tax liabilities | 957 | - | - | 1.610 | - | 1.412 | 3.979 |
| Provisions | 16.920 | 15.556 | 20.832 | 8.091 | 1.489 | 22.032 | 84.920 |
| Other current payables and liabilities | 86.510 | 63.587 | 15.789 | 557 | 3.802 | 8.979 | 179.224 |
| Non-current liabilities | | | | | | | |
| Financial liabilities | 494.513 | 82.788 | - | 186 | 19.820 | - | 597.307 |
| Provisions | 524 | - | 613 | 3.883 | - | 1.230 | 6.250 |
| Deferred tax liabilities | 3.530 | - | 66 | 3.664 | 176 | - | 7.436 |
| Other non-current liabilities | 6.826 | - | - | 7.531 | - | - | 14.357 |
| Total liabilities | 1.171.425 | 322.685 | 48.250 | 47.248 | 84.971 | 45.119 | 1.719.698 |
| Net balance sheet position | (238.078) | (97.282) | 155.134 | 81.916 | 54.843 | 72.494 | 29.027 |
| Off-balance sheet derivative instruments net position | 118.833 | 38.660 | (80.975) | - | - | (10.247) | 66.271 |
| Net foreign currency position | (119.245) | (58.622) | 74.159 | 81.916 | 54.843 | 62.247 | 95.298 |

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NOTE 25 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(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 | 466.408 | 375.722 | 94.086 | 54.495 | 56.613 | 69.174 | 1.116.498 |
| Inventories | 161.525 | 55.223 | 63.801 | 45.751 | 53.743 | 21.340 | 401.383 |
| Other current assets | 9.173 | 2 | 327 | 474 | 7.350 | 2.580 | 19.906 |
| Non-current assets | | | | | | | |
| Financial assets | - | 99.000 | - | - | - | - | 99.000 |
| Deferred tax assets | - | - | 261 | - | 1.189 | 767 | 2.217 |
| Total assets | 804.410 | 546.434 | 188.489 | 111.843 | 124.678 | 111.529 | 1.887.383 |
| Current liabilities | | | | | | | |
| Financial liabilities | 39.612 | 165.843 | 81.987 | - | 1.690 | 32.666 | 321.798 |
| Trade payables | 194.238 | 374.098 | 11.606 | 15.829 | 12.300 | 16.318 | 624.389 |
| Current income tax liabilities | 1.464 | - | 1.848 | 1.441 | - | - | 4.753 |
| Provisions | 35.996 | - | 23.005 | 5.834 | 883 | 728 | 66.446 |
| Other current payables and liabilities | 39.986 | 13.296 | 14.735 | 3.005 | 569 | 15.424 | 87.015 |
| Non-current liabilities | | | | | | | |
| Financial liabilities | 438.581 | 147.085 | - | - | 18.107 | 43 | 603.816 |
| Trade payables | - | - | 695 | - | - | - | 695 |
| Provisions | 1.036 | - | - | 340 | - | 10 | 1.386 |
| Deferred tax liabilities | 1.597 | - | 177 | 3.766 | - | 354 | 5.894 |
| Other non-current liabilities | 3.453 | - | - | 10.755 | - | 587 | 14.795 |
| 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 net position | (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 |

b) Import and export information

| | 1 January - 30 September 2008 | 1 January - 30 September 2007 | 1 July - 30 September 2008 | 1 July - 30 September 2007 |
|---------|-------------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| Imports | 1.278.603 | 1.399.027 | 376.835 | 484.507 |
| Exports | 1.850.206 | 1.811.844 | 523.554 | 544.941 |

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NOTE 26 - SUPPLEMENTARY CASH FLOW INFORMATION

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

"Changes in reserves and provisions" and "Changes in operating assets and liabilities" shown in the consolidated statements of cash flows are as follows:

| | 30 September 2008 | 30 September 2007 |
|--|--------------------------|--------------------------|
| Changes in reserves and provisions | | |
| Accrual for sales and marketing expenses | 17.523 | 11.789 |
| Accrual for bonuses and premiums | 17.248 | 12.205 |
| Assembly and transportation provision | 8.584 | 15.340 |
| Provision for impairment on inventories | 5.756 | 10.050 |
| Provision for employment termination benefits | 5.241 | 2.300 |
| Provision for doubtful receivables | 4.244 | 2.611 |
| Accrual for customer premiums | 10.424 | 49.279 |
| Provision for other expenses | 22.867 | (1.231) |
| Warranty provision | (12.983) | (75.567) |
| | 78.904 | 26.776 |
| Changes in operating assets and liabilities | | |
| Trade receivables | (291.418) | (188.082) |
| Inventories | 34.926 | (94.872) |
| Financial assets | | 1.583 |
| Other assets and liabilities | (44.711) | (15.570) |
| Trade payables | 39.758 | (298.946) |
| | (261.445) | (595.887) |

NOTE 27 - SUBSEQUENT EVENTS

Upon our application to the Competition Authority of Turkey regarding the "Communiqué of group exemption about vertical trade agreements" numbered 2002/2, the Competition Authority decided to exempt the agreements of the Company with its authorized sellers and authorized services in Turkey for three years.

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