ARÇELİK ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008 TOGETHER WITH AUDITOR'S REPORT (ORIGINALLY ISSUED IN TURKISH)

PRICEWATERHOUSECOOPERS

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Arçelik A.Ş.

1. We have audited the accompanying consolidated financial statements of Arçelik A.Ş. and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated balance sheet as of 31 December 2008 and the consolidated statement of income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

PRICEWATERHOUSECOOPERS

Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Arçelik A.Ş. as of 31 December 2008, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the financial reporting standards accepted by the CMB (Note 2).

Emphasis of matter

5. As discussed in detail in Note 36, Board of Directors of Arçelik A.Ş. has decided for the merger of Arçelik A.Ş. with Grundig Elektronik A.Ş. in accordance with the relevant clauses of Turkish Commercial Code and the Corporate Tax Law and Turkish Capital Markets Board ("CMB") legal framework over the balance sheets which have been prepared in accordance with the CMB regulations by the while transfer of all assets and liabilities of Grundig Elektronik A.Ş. as of 31 December 2008 to Arçelik A.Ş. and authorized management to execute the merger in the meeting held on 27 February 2009.

Additional paragraph for convenience translation into English

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

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

Haluk Yalçın, SMMM
Partner

Istanbul, 2 March 2009

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2008

CONTENTS **PAGE**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER

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

	Notes	2008	*Restated* 2007
ASSETS			
Current assets			
Cash and cash equivalents	6	415.586	401.492
Financial investments	7	26.039	-
Trade receivables	10	2.644.927	2.442.566
Inventories	12	1.303.931	1.296.726
Other current assets	22	103.172	98.941
Total current assets		**4.493.655**	**4.239.725**
Non-current assets			
Trade receivables	10	9.060	18.144
Financial investments	7	543.443	714.852
Associates	13	123.602	111.129
Investment property	14	8.788	3.463
Property, plant and equipment	15	1.272.333	1.206.050
Intangible assets	16	402.215	176.247
Goodwill	17	10.255	3.377
Deferred tax assets	30	65.878	53.812
Total non-current assets		**2.435.574**	**2.287.074**
Total assets		**6.929.229**	**6.526.799**

The consolidated financial statements as at and for the year ended 31 December 2008 have been approved for issue by the Board of Directors on 2 March 2009 and signed on its behalf by Fatih Kemal Ebiçlioğlu, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director. These consolidated financial statements are subject to the approval of General Assembly.

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER

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

	Notes	2008	*Restated* 2007
LIABILITIES			
Current liabilities			
Financial liabilities	8	1.914.505	2.076.459
Other financial liabilities	9	5.533	1.660
Trade payables	10	705.327	660.740
Other payables	11	83.835	95.447
Current income tax liabilities	30	4.063	4.741
Provisions	20	198.294	187.430
Other current liabilities	22	149.499	130.677
Total current liabilities		**3.061.056**	**3.157.154**
Non-current liabilities			
Financial liabilities	8	1.576.603	995.872
Trade payables	10	72.955	60.038
Provisions for employment termination benefits	21	60.217	56.155
Deferred tax liabilities	30	91.471	54.494
Provisions	20	53.197	52.258
Other non-current liabilities	22	12.401	5.098
Total non-current liabilities		**1.866.844**	**1.223.915**
Total liabilities		**4.927.900**	**4.381.069**
Equity			
Paid-in capital	23	399.960	399.960
Adjustment to share capital	23	468.811	468.811
Share premium		96	96
Revaluation fund	23	287.902	440.749
Translation reserve		40.800	(16.585)
Restricted reserves	23	157.784	142.973
Accumulated profits		542.917	523.684
Net income for the year		39.794	157.765
Attributable to			
Equity holders of the parent		1.938.064	2.117.453
Minority interest		63.265	28.277
Total equity		**2.001.329**	**2.145.730**
Total liabilities and equity		**6.929.229**	**6.526.799**
Commitments, contingent assets and liabilities	19		

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

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF INCOME AT 31 DECEMBER

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

	Notes	2008	*Restated* 2007
Net sales	24	6.775.538	6.622.544
Cost of sales	24	(4.905.292)	(4.851.025)
Gross profit		**1.870.246**	**1.771.519**
Selling and marketing expenses	25	(1.080.524)	(934.375)
General administrative expenses	25	(295.616)	(290.062)
Research and development expenses	25	(54.517)	(29.841)
Other income	27	44.934	50.750
Other expenses	27	(44.972)	(48.648)
Operating profit		**439.551**	**519.343**
Income from associates	13	12.473	14.235
Financial income	28	741.036	390.845
Financial expenses	29	(1.163.939)	(725.898)
Income before tax		**29.121**	**198.525**
Income tax expense			
- Taxes on income	30	(29.693)	(42.262)
- Deferred tax income	30	7.128	(19.056)
Net income		**6.556**	**137.207**
Attributable to:			
Minority interest		(33.238)	(20.558)
Equity holders of the parent		**39.794**	**157.765**
Earnings per share (YKr)	**31**	**0,0995**	**0,3945**

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.)

	Paid-in capital	Adjustment to share capital	Share premium	Revaluation fund	Translation reserves	Restricted reserves	Accumulated profit	Net income for the year	Minority interest	Total 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	(235.460)	-	(3.285)	(203.264)
Financial investment fair value gain	-	-	-	109.904	-	-	-	-	-	109.904
Translation differences	-	-	-	-	(32.006)	-	-	-	(2.648)	(34.654)
Transactions with minority interests	-	-	-	-	-	-	(21.878)	-	21.878	-
Net income for the year	-	-	-	-	-	-	-	157.765	(20.558)	137.207
Balances at 31 December 2007	**399.960**	**468.811**	**96**	**440.749**	**(16.585)**	**142.973**	**523.684**	**157.765**	**28.277**	**2.145.730**
Capital increase	-	-	-	-	-	-	-		33.185	33.185
Transfers	-	-	-	-	-	71	157.694	(157.765)	-	-
Dividends paid	-	-	-	-	-	14.740	(114.730)	-	(2.047)	(102.037)
Financial investment fair value loss	-	-	-	(199.243)	-	-	-	-	-	(199.243)
Non-current assets revaluation funds										
- Acquisition	-	-	-	44.352	-	-	-	-	9.065	53.417
- Amortisation effect	-	-	-	(953)	-	-	953	-	-	-
- Deferred tax effect	-	-	-	242	-	-	-	-	50	292
Translation differences		-	-	2.755	57.385	-	-	-	3.289	63.429
Transactions with minority interests	-	-	-	-	-	-	(24.684)	-	24.684	-
Net income for the year	-	-	-	-	-	-	-	39.794	(33.238)	6.556
Balances at 31 December 2008	**399.960**	**468.811**	**96**	**287.902**	**40.800**	**157.784**	**542.917**	**39.794**	**63.265**	**2.001.329**

(*) Restated.

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

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

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	2008	2007
Operating activities:			
Income before tax		**29.121**	**198.525**
Adjustments to reconcile net cash provided from operating activities to income before taxes:			
Changes in provisions	35	37.886	(60.160)
Depreciation and amortisation	26	166.090	140.931
Interest income	28	(16.928)	(21.313)
Interest expenses	29	467.112	379.422
Income/ from associates (net)	13	(12.473)	(14.235)
Loss from sales of tangible and intangible assets (net)	27	3.421	601
Loss from sales of financial investments	27	-	1.234
		674.229	**625.005**
Changes in operating assets and liabilities (net)	35	(194.484)	(465.581)
Corporate taxes paid	30	(30.737)	(38.818)
Cash flows from operating activities		**449.008**	**120.606**
Investing activities:			
Cash provided from sales of tangible and intangible assets		4.958	9.575
Acquisition of tangible and intangible assets		(252.732)	(317.755)
Cash outflow due to acquisition of subsidiaries	3	(55.246)	(7.877)
Cash provided from sales of financial investments		-	1.598
Financial investments capital increase		(38.296)	-
Translation differences (net)		17.965	1.821
Cash flows from investing activities		**(323.351)**	**(312.638)**
Financing activities:			
Dividends paid	32	(102.037)	(203.265)
Dividends received	32	-	3.320
Interest paid		(464.382)	(353.045)
Interest received		16.928	21.313
Capital increase		33.185	-
Increase in bank borrowings (net)		404.743	724.658
Cash flows from financing activities		**(111.563)**	**192.981**
Net increase in cash and cash equivalents		**14.094**	**949**
Cash and cash equivalents at 1 January		**401.492**	**400.543**
Cash and cash equivalents at 31 December		**415.586**	**401.492**

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 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Arçelik Anonim Şirketi (a Turkish corporation - "Arçelik" or "the Company"), 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 11 manufacturing plants in Turkey, Romania, Russia and China. The Company is a member of the Koç Group of companies, which holds a majority stake in the Company.

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

The Company is registered with the Capital Markets Board ("CMB") and its shares have been quoted on the Istanbul Stock Exchange ("ISE") since 1986. At 31 December 2008, the publicly quoted shares are 21,29% of the total shares. At 31 December 2008, the principal shareholders and their respective shareholdings in the Company are as follows (Note 23):

	%
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 as of 31 December 2008 is 18.605 (31 December 2007: 17.328).

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

Subsidiaries	Country of incorporation	Core Business	Nature of business
Archin Limited ("Archin")	Hong Kong, China	Sales	Consumer durables/Electronics
ArcticPro SRL ("ArcticPro")	Romania	Service	Consumer durables
Ardutch B.V. ("Ardutch")	Netherlands	Investment	Holding
Bekodutch B.V. ("Bekodutch")	Netherlands	Investment	Holding
Beko Cesko ("Beko Cesko")	Czech Republic	Sales	Consumer durables/Electronics
Beko Deutschland GmbH ("Beko Deutschland")	Germany	Sales	Consumer durables/Electronics
Beko Electronics España S.L. ("Beko Espana")	Spain	Sales	Consumer durables/Electronics
Beko Elektronik Llc ("Beko Elektronik Russia") (1)	Russia	Production/Sales	Electronics
Beko France S.A. (Beko France")	France	Sales	Consumer durables/Electronics
Beko Italy SRL ("Beko Italy") (5)	Italy	Sales	Consumer durables/Electronics
Beko Llc. ("Beko Russia")	Russia	Production/Sales	Consumer durables/Electronics
Beko Magyarorszag K.F.T. ("Beko Magyarorszag")	Hungary	Sales	Consumer durables/Electronics
Beko Plc. ("Beko UK")	UK	Sales	Consumer durables/Electronics
Beko Slovakia S.R.O. ("Beko Slovakia")	Slovakia	Sales	Consumer durables/Electronics
Beko S.A. ("Beko Polska")	Poland	Sales	Consumer durables/Electronics
Beko S.A. Czech Republic ("Beko Czech")	Czech Republic	Sales	Consumer durables/Electronics
Beko S.A. Hungary ("Beko Hungary")	Hungary	Sales	Consumer durables/Electronics
Beko Shanghai Trading Company Ltd. ("Beko Shanghai")	China	Sales	Consumer durables/Electronics
Blomberg Vertriebsgesellschaft GmbH ("Blomberg Vertrieb") (2)	Germany	Sales	Consumer durables/Electronics
Blomberg Werke GmbH ("Blomberg Werke") (2)	Germany	Production	Consumer durables/Electronics
Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China")	China	Production/Sales	Consumer durables/Electronics
Elektra Bregenz AG ("Elektra Bregenz")	Austria	Sales	Consumer durables/Electronics
Fusion Digital Techology Ltd. ("Fusion Digital") (2)	UK	Technology	Electronics
Grundig Elektronik A.Ş. ("Grundig Elektronik") (3)	Turkey	Production/Sales	Electronics
Grundig Multimedia B.V. ("Grundig Multimedia") (4)	Netherlands	Investment	Holding
Grundig AG ("Grundig Switzerland") (4)	Sweden	Sales	Electronics
Grundig Benelux B.V. ("Grundig Benelux") (4)	Netherlands	Sales	Electronics
Grundig Ceska Republika S.r.o ("Grundig Ceska") (4)	Czech Republic	Sales	Electronics
Grundig Danmark A/S ("Grundig Denmark") (4)	Denmark	Sales	Electronics
Grundig España S.A. ("Grundig Espana") (4)	Spain	Sales	Electronics
Grundig Intermedia Ges.m.b.H ("Grundig Austria") (4)	Austria	Sales	Electronics
Grundig Intermedia GmbH ("Grundig Intermedia") (4)	Germany	Sales	Electronics
Grundig Italiana S.p.A. ("Grundig Italy") (4)	Italy	Sales	Electronics
Grundig Magyarország Kft. ("Grundig Hungary") (4)	Hungary	Sales	Electronics
Grundig Norge AS ("Grundig Norway") (4)	Norway	Sales	Electronics
Grundig OY ("Grundig Finland ") (4)	Finland	Sales	Electronics
Grundig Polska Sp. Z o.o. ("Grundig Polska") (4)	Poland	Sales	Electronics
Grundig Portuguesa, Lda ("Grundig Portugal") (4)	Portugal	Sales	Electronics
Grundig Slovakia s.r.o ("Grunding Slovakia") (4)	Slovakia	Sales	Electronics
Grundig Svenska AB. ("Grundig Sweden") (4)	Sweden	Sales	Electronics
Grundig S.A.S. ("Grundig France") (4)	France	Sales	Electronics
Raupach Wollert GmbH ("Raupach")	Germany	Investment	Holding
SC Arctic SA ("Arctic")	Romania	Production/Sales	Consumer durables/Electronics

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

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 CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

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

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

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

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

The preparation of financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the group's accounting policies. The significant assumptions and estimates applied in the preparation of the consolidated financial statements, are disclosed in note 2.4.

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

Changes in International Financial Reporting Standards (IFRS)

a) *Standards, amendments and interpretations, effective in 2008 but not relevant to the Group's operations*

- IFRIC 11, "IFRS 2 - Group and treasury share transactions"
- IFRIC 12, "Service concession arrangements"
- IFRIC 13, "Customer loyalty programmes"
- IFRIC 14, "IAS 19- The limit on a defined benefit asset, minimum funding requirements
- and their interaction"

The Group has not applied the aforementioned changes in consolidated financial statements as of 31 December 2008 since they are not relevant to the Group's operations.

b) *Standards, amendments and interpretations to existing standards that are not yet effective in 2008 and have not been early adopted by the group*

Effective from 1 January 2009

- IAS 1, "Presentation of financial statements" comprehensive changes related with the statement of comprehensive income in equity.
- IAS 23 (Revised), "Borrowing costs" comprehensive changes related with preventing the immediately expensing of the borrowing costs.
- IAS 32, "Financial instruments: Presentation" – Puttable financial instruments and obligations arising on liquidation
- IAS 39, "Financial instruments: Recognition and measurement" changes related with the items that could be subject to hedge accounting.
- IFRS 2, "Share-based payment"
- IFRS 8, "Operating segments"
- IFRIC 15, "Agreements for construction of real estates"
- IFRIC 16, "Hedges of a net investment in a foreign operation"

Effective for the accounting periods beginning on or after 1 July 2009

- IAS 27, "Consolidated and separate financial statements"
- IAS 28, "Investments in associates"
- IAS 31, "Interests in joint ventures" changes on the application
- IFRS 3, "Business combinations"

Group will evaluate the effect of the aforementioned changes within its operations and apply changes starting from 1 January 2009. It is expected that the application of the standards and the interpretations above will not have a significant effect on the consolidated financial statements of the Group.

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

Functional and presentation currency

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

Financial statements of foreign subsidiaries

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

Consolidation Principles

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

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

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

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

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

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

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

	2008		2007	
	Ownership interest	**Economic interest**	**Ownership interest**	**Economic interest**
Arctic	96,68	96,68	96,68	96,68
Ardutch	100,00	100,00	100,00	100,00
Bekodutch	100,00	100,00	100,00	100,00
Beko Cesko	100,00	100,00	100,00	100,00
Beko China	100,00	100,00	100,00	100,00
Beko Czech	100,00	100,00	100,00	100,00
Beko Deutschland	100,00	100,00	100,00	100,00
Beko Elektronik Russia	100,00	100,00	100,00	100,00
Beko Espana	99,97	99,97	99,97	99,97
Beko France	99,96	99,96	99,96	99,96
Beko Hungary	100,00	100,00	100,00	100,00
Beko Italy	100,00	100,00	100,00	100,00
Beko Magyarorszag	100,00	100,00	100,00	100,00
Beko Polska	100,00	100,00	100,00	100,00
Beko Russia	100,00	100,00	100,00	100,00
Beko Slovakia	100,00	100,00	100,00	100,00
Beko UK	50,00	50,00	50,00	50,00
Blomberg Vertrieb	100,00	100,00	100,00	100,00
Blomberg Werke	100,00	100,00	100,00	100,00
Elektra Bregenz	100,00	100,00	100,00	100,00
Fusion Digital (1)	100,00	100,00	100,00	100,00
Grundig Elektronik (2)	83,03	83,03	72,46	72,46
Grundig Multimedia (2)	100,00	83,03	50,00	36,23
Grundig Austria (2)	100,00	83,03	50,00	36,23
Grundig Benelux (2)	100,00	83,03	50,00	36,23
Grundig Czech Republic (2)	100,00	83,03	50,00	36,23
Grundig Denmark (2)	100,00	83,03	50,00	36,23
Grundig Espana (2)	100,00	83,03	50,00	36,23
Grundig Finland (2)	100,00	83,03	50,00	36,23
Grundig France (2)	100,00	83,03	50,00	36,23
Grundig Intermedia (2)	100,00	83,03	50,00	36,23
Grundig Italy (2)	100,00	83,03	50,00	36,23
Grundig Hungary (2)	100,00	83,03	50,00	36,23
Grundig Norway (2)	100,00	83,03	50,00	36,23
Grundig Portugal (2)	100,00	83,03	50,00	36,23
Grundig Polska (2)	100,00	83,03	50,00	36,23
Grundig Slovakia (2)	100,00	83,03	50,00	36,23
Grundig Slovenia (3)	-	-	50,00	36,23
Grundig Sweden (2)	100,00	83,03	50,00	36,23
Grundig Switzerland (2)	100,00	83,03	50,00	36,23
Raupach	100,00	100,00	100,00	100,00

(1) Liquidation of Fusion Digital was decided at the board of directory meetings on 29 December 2005. Since the liquidation of Fusion Digital was in process as of 31 December 2008, Fusion Digital's financial statements which are prepared on a liquidation basis were consolidated.

(2) As a result of the acquisition of Grundig Multimedia (Note 3) in 2008, the 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 and on 31 December 2008, were purchased by Arçelik. As a consequence of the aforementioned acquisition and capital increases, the ownership interests and economic interests of the Group in the related subsidiaries have been changed as above.

(3) Liquidated in 2008.

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

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

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

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

(e) Associates are companies in which the Group has attributable interest of more than 20% and less than 50% of the ordinary share capital held for the long-term and over which a significant influence is exercised. Associates are accounted for using the equity method. Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables or the significant influence ceases the Group does not continue to apply the equity method, unless it has incurred obligations or made payments on behalf of the associate. Subsequent to the date of the caesura of the significant influence the investment is carried either at fair value when the fair values can be measures reliably or otherwise at cost when the fair values cannot be reliably measured.

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

	2008	**2007**
Arçelik - LG	45,00	45,00
Koç Tüketici Finans	47,00	47,00
Ram Dış Ticaret	33,50	33,50
Tanı Pazarlama	32,00	32,00

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

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

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

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

Offsetting

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

Comparatives and restatement of prior periods' financial statements

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

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

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 year consolidated financial statements. The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods.

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

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

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

2.4 Summary of significant accounting policies

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

Related parties

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

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

Trade receivables

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

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

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

Credit finance income/charges

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

Inventories

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

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

Financial investments

Classification

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

(a) Loans and receivables

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

(b) Available-for-sale financial assets

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

(c) Derivative financial instruments

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

Recognition and measurement

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

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

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

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

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

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

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

Forward foreign exchange contracts are valued at quoted market prices or discounted cash flow models as appropriate. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative (Note 7).

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

Cash and cash equivalents

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

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

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

Investment property

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

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

Property, plant, equipment and related depreciation

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided on restated amounts of property, plant and equipment using the straight-line method based on the estimated useful lives of the assets, except for land 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	10 - 50 years
Buildings	30 - 50 years
Machinery and equipment	11 - 25 years
Moulds	4 - 7 years
Motor vehicles, furniture and fixtures	4 - 10 years
Leasehold improvements	3 - 10 years

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

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

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

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

Non-current assets held for sale

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

Intangible assets

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

a) Brands

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

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

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

b) Trademark licenses and patents

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

b) Development costs

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

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

c) *Computer software*

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

Business combinations and goodwill

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

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

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

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

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

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

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

Transactions with minority shareholders

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

Financial Leases

(1) The Group as the lessee

Finance leases

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

Operational leases

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

(2) The Group as the lessor

Operational leases

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

Financial liabilities and borrowing costs

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

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

Current and deferred income tax

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

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

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

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

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

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

Trade payables

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

Employment termination benefits

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

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

Foreign currency transactions

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

Revenue recognition

Revenues are recognised on an accrual basis at the fair values incurred or to be incurred when the goods are delivered, the risks and rewards of ownership of the goods are transferred, when the amount of revenue can be reliably measured and it is probable that the future economic benefits associated with the transaction will flow to the entity. Net sales represent the fair value of goods shipped less sales discounts and 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 (Notes 28 and 29).

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

Investment, research and development incentives

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

Dividends

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

Warranty expenses

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

Paid-in capital

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

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

Share premium

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

Provisions

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

Contingent assets and liabilities

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

Earnings per share

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

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

Segment reporting

A reportable segment is a business segment or a geographical segment identified based on the foregoing definitions for which segment information is required to be disclosed. A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

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

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

A business segment or geographical segment should be identified as a reportable segment if a majority of its revenue is earned from sales to external customers and if its revenue from sales to external customers and from transactions with other segments is 10% or more of the total revenue, external and internal, of all segments; or its segment result, whether profit or loss, is 10% or more of the combined result of all segments in profit or the combined result of all segments in loss, whichever is the greater in absolute amount; or its assets are 10% or more of the total assets of all segments.

The Group has chosen business segments as the Group's primary segment reporting format based on the risks and returns on products produced and services rendered reflecting the primary source of the enterprise's risks and returns (Note 5). The geographical segments have been determined as the secondary segment reporting format.

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:

	2008	**2007**
Cash and cash equivalents - maturities of less than 3 months (Note 6)	415.586	401.492
	415.586	**401.492**

2.5 Critical accounting estimates and judgements

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

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

In accordance with the accounting policy for the intangible assets which have indefinite useful lives and goodwill stated in Note 2.4, these assets are reviewed for impairment annually or whenever events or changes in circumstances indicate impairment by the Group. The recoverable amounts of the cash-generating units are determined using the methods of value in use and royalty relief. Certain estimates were used in these calculations (Notes 16 and 17). Impairment was not identified as a result of these tests.

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

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

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

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

NOTE 3 - BUSINESS COMBINATIONS

Business combinations in 2008

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

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

Cash paid [1]	70.547
Costs directly attributable to the acquisition	302
Liabilities attributable to the acquisition [2]	13.595
Total purchase consideration	84.444
Fair value of net assets acquired	(73.891)
Goodwill at acquisition date	10.553
Effect of the change in contingent liabilities attributable to acquisition [3]	(4.332)
Goodwill (Note 17)	**6.221**

(1) The portion of the purchase consideration amounting to EUR35.000.000 paid in cash during the share transfer.

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

(3) The royalty income forecasts from the sales in United Kingdom and Ireland under Grundig brand, which are used for determination of the contingent liability at the acquisition date were revised in accordance with the actual sales realised in 2008. Decrease in the contingent liability resulted from the change in royalty income forecasts are adjusted reciprocally with goodwill in compliance with IFRS 3.

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

NOTE 3 - BUSINESS COMBINATIONS (Continued)

The details of identifiable assets and liabilities (%50) 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 14)	4.170	4.170
Property, plant and equipment (Note 15)	1.047	1.047
Intangible assets (Note 16)	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 30)	(3.328)	(21.612)
Other liabilities	(51.845)	(51.845)
Net assets acquired (50%)	**20.474**	**73.891**

The details of cash outflow on acquisition are as follows:

Cash paid	70.547
Costs directly attributable to the acquisition	302
Cash and cash equivalents - acquired	(15.603)
Cash outflow on acquisition (net)	**55.246**

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 (Note 17)	**1.589**

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

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

NOTE 3 - BUSINESS COMBINATIONS (Continued)

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**
Total acquisition cost	12.576
Cash and cash equivalents - acquired	(4.699)
Cash outflow on acquisition (net)	**7.877**

NOTE 4 - JOINT VENTURES

The aggregate amounts of assets, liabilities and profit/loss of the Joint Ventures, which are proportionately consolidated in the consolidated financial statements, before consolidation adjustments are as follows:

	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 - 31 December 2007**
Net sales	73.515	282.559
Gross operating profit	16.039	52.438
Net operating loss	(2.058)	(22.394)
Net loss	(4.177)	(25.371)

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

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

NOTE 5 - SEGMENT REPORTING

Primary reporting format - industrial segment

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

a) Segment revenues (net)

	2008	2007
White goods	4.176.040	4.125.172
Consumer electronics	1.416.604	1.329.859
Other	1.182.894	1.167.513
	6.775.538	**6.622.544**

b) Gross profit

	2008	2007
White goods	1.433.116	1.374.420
Consumer electronics	258.581	200.723
Other	178.549	196.376
	1.870.246	**1.771.519**

c) Segment assets

	2008	2007
White goods	4.241.709	4.161.294
Consumer electronics	1.536.153	1.355.590
Other	669.903	554.611
	6.447.765	**6.071.495**
Unallocated		
Cash and cash equivalents	415.586	401.492
Deferred tax assets	65.878	53.812
Consolidated total assets	**6.929.229**	**6.526.799**

d) Segment liabilities

	2008	2007
White goods	820.840	786.585
Consumer electronics	389.698	332.743
Other	72.410	61.049
	1.282.948	**1.180.377**
Unallocated:		
Financial liabilities	3.496.641	3.073.991
Deferred tax liabilities	91.471	54.494
Other	56.840	72.207
Consolidated total liabilities	**4.927.900**	**4.381.069**

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

NOTE 5 - SEGMENT REPORTING (Continued)

e) Segment capital expenditures, depreciation and amortisation

Capital expenditures

	2008	2007
White goods	207.761	271.081
Consumer electronics	142.389	53.745
Other	4.959	14.415
	355.109	**339.241**

Depreciation and amortisation

	2008	2007
White goods	120.517	102.099
Consumer electronics	40.745	35.342
Other	7.687	6.870
	168.949	**144.311**

Secondary reporting format - geographical segment

The Group's geographical segments are organised as Turkey, Europe and other. Turkey, in which the domestic operations are performed is the country where the parent company "Arçelik" exists.

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.

	2008	2007
Segment revenues		
Turkey	3.420.157	3.427.780
Europe	2.574.045	2.615.466
Other	781.336	579.298
	6.775.538	**6.622.544**

Segment assets	**2008**	**2007**
Turkey	5.065.003	4.940.571
Europe	1.040.511	821.689
Other	342.251	309.235
	6.447.765	**6.071.495**
Unallocated		
Cash and cash equivalents	415.586	401.492
Deferred tax assets	65.878	53.812
Consolidated total assets	**6.929.229**	**6.526.799**

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

NOTE 5 - SEGMENT REPORTING (Continued)

Segment liabilities	2008	2007
Turkey	866.911	958.039
Europe	401.309	194.336
Other	14.728	28.002
	1.282.948	**1.180.377**
Unallocated:		
Financial liabilities	3.496.641	3.073.991
Deferred tax liabilities	91.471	54.494
Other	56.840	72.207
Consolidated total liabilities	**4.927.900**	**4.381.069**

Segment capital expenditures	2008	2007
Turkey	231.618	272.506
Europe	110.147	18.846
Other (*)	13.344	47.889
	355.109	**339.241**

(*) Consist of investments in Russia and China.

NOTE 6 - CASH AND CASH EQUIVALENTS

	2008	2007
Cash in hand	287	215
Cash at banks		
- Demand deposits	42.296	99.695
- Time deposits	329.067	245.410
Cheques and notes	42.490	51.871
Other	1.446	4.301
	415.586	**401.492**

The maturities of cash and cash equivalents are as follows:

Up to 30 days	328.016	290.617
30 - 90 days	87.570	110.875
	415.586	**401.492**

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

NOTE 6 - CASH AND CASH EQUIVALENTS (Continued)

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

USD	7,39	7,41
EUR	3,55	4,16
RON	11,06	5,64
GBP	1,29	-

NOTE 7 - FINANCIAL INVESTMENTS

Current financial investments

Derivative financial instruments

	31 December 2008			31 December 2007		
	Contract	Fair value		Contract	Fair value	
	value	Asset	Liability	value	Asset	Liability
Foreign currency forward contracts	351.286	26.039	-	-	-	-
		26.039	**-**		**-**	**-**

Non-current financial investments

	2008	2007
Available-for-sale investments	540.182	711.585
Financial assets excluded from the scope of consolidation	3.261	3.267
	543.443	**714.852**

a) Available-for-sale investments:

	2008		2007	
	%	TRY	%	TRY
Koç Finansal Hizmetler A.Ş.	7,66	520.832	7,66	695.847
Entek Elektrik Üretimi A.Ş.	6,86	16.797	6,86	12.340
Ultra Kablolu TV ve Telekomünikasyon San. Tic. A.Ş.	7,50	1.901	7,50	1.901
Tat Konserve Sanayi A.Ş.	0,34	554	0,34	1.429
Other		98		68
		540.182		**711.585**

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

NOTE 7 - FINANCIAL INVESTMENTS (Continued)

	2008	2007
Balance at the beginning of the year	**711.585**	**596.426**
Fair value (losses)/gains	(209.729)	115.155
Capital increase	38.296	-
Increase in shares due to business combination	23	-
Acquitions	7	4
Balance at the end of the year	**540.182**	**711.585**

The unrealised gains (net) arising from changes in the fair value of the investments amounting to TRY254.217, net of deferred tax effect amounting to TRY12.711, are recognised in consolidated shareholders' equity under the "financial assets fair value reserve" at 31 December 2008 (31 December 2007: TRY463.946).

Since the shares of Yapı ve Kredi Bankası are traded in İstanbul Stock Exchange, the fair value of Koç Finansal Hizmetler, the majority shareholder of Yapı ve Kredi Bankası (80%) and the unlisted available-for-sale investment of the Group, has been determined by using the existing market value of Yapı ve Kredi Bankası and the aforementioned calculation has been supported by the income method. Furthermore, the fair value of Entek Elektrik Üretimi A.Ş., another unlisted available-for-sale investment of the Group, has been determined by using the income method.

b) Financial assets excluded from the scope of consolidation

	2008		2007	
	%	**TRY**	**%**	**TRY**
Beko Shanghai	100,00	3.259	100,00	3.259
ArticPro SRL	100,00	2	100,00	2
Grundig Slovenia	-	-	50,00	6
		3.261		**3.267**

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

NOTE 8 - FINANCIAL LIABILITIES

a) Short-term financial liabilities

	2008	2007
Short-term bank borrowings	1.006.793	1.300.864
Short-term portion of long-term bank borrowings	907.389	775.510
Other	323	85
	1.914.505	**2.076.459**

Short-term bank borrowings

	2008	2007
TRY loans	798.227	1.090.709
Foreign currency loans	152.727	150.553
Eximbank loans	55.839	59.602
	1.006.793	**1.300.864**

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

	2008	2007
TRY loans	22,66	17,77
Foreign currency loans	6,76	6,22

Since short-term financial liabilities are current liabilities, carrying values are estimated to be insignificantly different from their fair values.

b) Long-term financial liabilities

	2008	2007
Long-term bank borrowings	1.576.303	995.816
Other	300	56
	1.576.603	**995.872**

As of 31 December 2008, the details of the long-term bank borrowings are as follows:

Currency	Effective interest rate (%)	Original currency	TRY amount
TRY	19,56	1.346.093.255	1.346.093
EUR	6,01	420.894.563	901.051
USD	6,98	156.415.663	236.548
			2.483.692
Less: Current maturities			(907.389)
			1.576.303

The fair value of the short-term portion of the long-term borrowings and the long-term borrowings is equal to TRY2.478.861 (2007: TRY1.773.812).

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

NOTE 8 - 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	466.577
USD	7,05	177.411.321	206.664
GBP	7,03	35.238.486	81.961
RUB	8,11	416.852.411	19.840
			1.771.382
Less: Current maturities			(775.510)
			995.872

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

	2008	**2007**
2009	-	456.813
2010	1.305.634	290.565
2011	198.195	176.123
2012	72.474	72.315
	1.576.303	**995.816**

As of 31 December, the analysis of borrowings in terms of periods remaining to contractual repricing dates is as follows:

	2008	**2007**
Up to 6 months	2.735.505	2.132.246
6 - 12 months	108.124	364.441
1 - 3 years	573.884	374.583
3 - 5 years	72.972	200.920
	3.490.485	**3.072.190**

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

NOTE 9 - OTHER FINANCIAL LIABILITIES

Derivative financial instruments

	31 December 2008			31 December 2007		
	Contract amount	Fair value Asset	Fair value (Liability)	Contract amount	Fair value Asset	Fair value (Liability)
Foreign currency forward contracts	123.970	-	(5.453)	80.153	-	(1.660)
Foreign currency swap contracts	129.293	-	(80)	-	-	-
			(5.533)		**-**	**(1.660)**

NOTE 10 - TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables	**2008**	**2007**
Trade receivables	1.438.111	1.001.232
Notes receivables	1.179.681	1.364.577
Cheques receivables	116.086	85.705
Due from related parties (Note 32)	121.003	169.971
	2.854.881	**2.621.485**
Less: Provision for doubtful receivables	(94.625)	(66.520)
Less: Unearned credit finance income	(115.329)	(112.399)
Short-term trade receivables (net)	**2.644.927**	**2.442.566**

Movements in the provision for doubtful receivables are as follows:

	2008	**2007**
Balance at the beginning of the year	**66.520**	**69.122**
Current year additions (Note 27)	10.349	9.903
Acquisitions	8.025	-
Collection of doubtful receivables (Note 27)	(3.274)	(5.512)
Translation differences	13.005	(6.993)
Balance at the end of the year	**94.625**	**66.520**

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

NOTE 10 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

	2008	2007
0-3 months	3.725	-
3-6 months	4.840	12.095
6 months and over	86.060	54.425
	94.625	**66.520**

Long-term trade receivables	**2008**	**2007**
Trade receivables	9.060	18.144
	9.060	**18.144**

Short-term trade payables	**2008**	**2007**
Trade payables	568.837	554.260
Due to related parties (Note 32)	143.155	113.189
Unearned credit finance charges	(6.665)	(6.709)
	705.327	**660.740**

Long-term trade payables	**2008**	**2007**
Due to related parties (Note 32)	72.955	60.038
	72.955	**60.038**

NOTE 11 - OTHER RECEIVABLES AND PAYABLES

Other payables	**2008**	**2007**
Taxes and duties payables	49.264	57.765
Payables to personnel	27.775	28.871
Deposits and guarantees received	1.461	2.217
Other	5.335	6.594
	83.835	**95.447**

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

NOTE 12 - INVENTORIES

	2008	2007
Raw materials and supplies	623.993	710.223
Work in progress	38.924	45.321
Finished goods	247.113	248.068
Trade goods	442.007	338.885
	1.352.037	**1.342.497**
Less: Provision for impairment on inventories	(48.106)	(45.771)
	1.303.931	**1.296.726**

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

	2008	2007
Raw materials and supplies	16.815	15.393
Finished goods	9.863	14.504
Trade goods	21.428	15.874
	48.106	**45.771**

Movement of provision for impairment on inventories as of 31 December is as follows:

	2008	2007
Balance at the beginning of the year	**45.771**	**42.251**
Current year additions (Note 27)	10.719	28.663
Acquisitions	6.336	-
Realised due to sales of inventory	(11.948)	(15.927)
Provisions no longer required (Note 27)	(6.842)	(6.629)
Translation differences	4.070	(2.587)
Balance at the end of the year	**48.106**	**45.771**

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

NOTE 13 - ASSOCIATES

	2008		2007	
	%	TRY	%	TRY
Koç Tüketici Finansmanı A.Ş.	47,00	57.882	47,00	57.876
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	45,00	58.089	45,00	46.737
Ram Dış Ticaret A.Ş.	33,50	5.367	33,50	4.581
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	32,00	2.264	32,00	1.935
		123.602		**111.129**

	2008	2007
Balance at the beginning of the year	**111.129**	**102.872**
Income from associates (net)	12.473	14.235
Dividends received from associates	-	(3.320)
Disposals	-	(2.389)
Translation differences	-	(269)
Balance at the end of the year	**123.602**	**111.129**

	2008	2007
Income from associates		
Koç Tüketici Finansmanı A.Ş.	7	9.074
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	11.352	3.898
Ram Dış Ticaret A.Ş.	785	586
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	329	(229)
Ram Pacific Ltd.	-	906
	12.473	**14.235**

The summary financial statements of associates

	2008	2007
Total assets	1.613.465	1.376.722
Total liabilities	1.341.046	1.129.296
Sales revenues	1.165.754	1.018.833
Net income for the year	24.859	29.229

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

NOTE 14 - INVESTMENT PROPERTY

	2008	2007
As of 1 January		
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 year	**3.463**	**2.786**
Acquisitions (Note 3)	4.170	-
Transfers	-	1.073
Translation differences	1.223	(396)
Current year depreciation	(68)	-
Net book value at the end of the year	**8.788**	**3.463**
As of 31 December		
Cost	12.123	4.808
Accumulated depreciation	(3.335)	(1.345)
Net book value	**8.788**	**3.463**

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2008	(1) Acquisitions	Additions	Disposals	Transfers	Translation differences	31 December 2008
Cost							
Land	16.225	-	99	(450)	(690)	786	15.970
Land improvements	27.378	-	610	(9)	-	43	28.022
Buildings	489.767	31	4.698	(473)	17.097	14.723	525.843
Machinery and equipment	2.328.562	1.115	86.208	(45.718)	86.760	24.142	2.481.069
Motor vehicles, furniture and fixtures	196.136	1.205	14.267	(8.337)	1.454	3.882	208.607
Leasehold improvements	34.544	-	421	-	-	(112)	34.853
Construction in progress	25.843	96	87.521	(405)	(104.621)	1.403	9.837
	3.118.455	**2.447**	**193.824**	**(55.392)**	**-**	**44.867**	**3.304.201**
Accumulated Depreciation							
Land improvements	(13.120)	-	(1.062)	9	-	-	(14.173)
Buildings	(143.132)	(96)	(10.836)	1.086	(21)	(2.157)	(155.156)
Machinery and equipment	(1.587.864)	(466)	(121.547)	38.864	527	(9.295)	(1.679.781)
Motor vehicles, furniture and fixtures	(147.099)	(838)	(12.863)	7.107	(506)	(2.421)	(156.620)
Leasehold improvements	(21.190)	-	(4.996)	-	-	48	(26.138)
	(1.912.405)	**(1.400)**	**(151.304)**	**47.066**	**-**	**(13.825)**	**(2.031.868)**
Net book value	**1.206.050**						**1.272.333**

There is no mortgage on property, plant and equipment as of 31 December 2008.

(1) The property, plant and equipment with a net book value of TRY1.047 is related to the acquisition of Grundig Multimedia (Note 3).

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

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2007	(1) Acquisition	Additions	Disposals	(2) Transfers	Translation differences	31December 2007
Cost							
Land	15.319	-	1.302	(7)	-	(389)	16.225
Land improvements	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	-	190.030	(94)	(173.500)	(628)	25.843
	3.058.035	**16.531**	**265.568**	**(168.122)**	**(2.009)**	**(51.548)**	**3.118.455**
Accumulated Depreciation							
Land improvements	(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 book value	**1.108.815**						**1.206.050**

(1) Property, plant and equipment with a net book value of TRY16.531 is related to the acquisition of Beko China (Note 3).

(2) Property plant and equipment classified as land and buildings with net book values of TRY1.073 and TRY760 have been transferred to investment property and intangible assets respectively.

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

NOTE 16 - 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 year	**176.247**	**126.881**
Acquisitions (Note 3) (*)	94.301	1.575
Fair value differences (*)	71.701	-
Additions	61.767	55.567
Disposals	(53)	(4)
Translation differences	15.829	(2.959)
Transfers	-	760
Current period amortisation	(17.577)	(5.573)
Net book value at the end of the year	**402.215**	**176.247**

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

NOTE 16 - INTANGIBLE ASSETS (Continued)

As of 31 December

	2008	**2007**
Cost	473.977	231.150
Accumulated amortisation	(71.762)	(54.903)
Net book value	**402.215**	**176.247**

	2008	**2007**
Brands and rights	299.456	118.817
Development costs	93.745	50.882
Other	9.014	6.548
Total	**402.215**	**176.247**

(*) As a result of the Grundig acquisition (50%) realised in 2004, the corresponding 50% of intangible assets had been accounted for. According to the Grundig acquisition realised in 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).

Brand impairment test

Brands were tested for impairment using the royalty relief method as of 31 December 2008. Sales forecasts which are based on financial budgets approved by the board of directors covering a three to five-year period were considered in the determination of the brand value. Sales forecasts beyond the three and five-year period are extrapolated with expected growth rates. The estimated royalty income is calculated by applying the expected royalty rate and discount rates. No impairment was identified as a result of the impairment test.

NOTE 17 - GOODWILL

	2008	**2007**
Net book value at the beginning of the year	**3.377**	**1.788**
Acquisitions (Note 3)	6.221	1.589
Translation differences	657	-
Net book value at the end of the year	**10.255**	**3.377**

Goodwill impairment test

As of 31 December 2008, the carrying value of goodwill was tested for impairment by comparison with its recoverable amount. The recoverable amount was determined on the basis of value in use calculations. Pre-tax cash flow projections based on financial budgets approved by the board of directors covering a three-year period were used in. Pre-tax cash flow projections beyond three-year period are extrapolated by expected growth rates. The estimated cash flows are discounted to their present values. No impairment was identified as a result of the impairment test.

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

NOTE 18 - GOVERNMENT GRANTS

There are investment incentive certificates to which the Company has been entitled by the official authorities in connection with certain capital expenditures. The rights of the Company due to these incentives are as follows:

a) 100% exemption from customs duty on machinery and equipment to be imported,
b) Value-added tax exemption with respect to purchases of investment goods both from domestic and export markets,
c) Incentives under the jurisdiction of the research and development law (100% corporate tax exemption, Social Security Institution incentives, etc.),
d) Inward processing permission certificates,
e) Cash refund from Tübitak - Teydeb for research and development expenses,
f) Exemption of taxes and funds,
g) Discounted corporate tax incentives.

NOTE 19 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Commitments and contingent liabilities are as follows:

	2008	2007
Operational financial lease commitments	14.832	2.988

Derivative financial instruments

As of 31 December 2008, the Group has forward exchange purchase commitment amounting to EUR107.987.000, USD89.500.000 and TRY10.748 and has forward exchange sales commitment amounting to GBP57.613.987, EUR5.000.000, USD3.529.000 and TRY122.300 (31 December 2007: USD62.325.000 forward exchange purchase commitment).

Contingent assets and liabilities are as follows:

	2008	2007
Collateral obtained	1.758.941	1.643.473
Guarantee letters given	19.402	11.544
Standby letters of credit	26.223	36.931
Guarantee letters given to Eximbank for import loans	22.170	70.070
Guarantee letters given to customs for imports	53.936	59.186
Other guarantees given	1.948	4.668
Mortgages given	1.362	1.453
Other collateral given	1.284	31.560

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

NOTE 20 - PROVISIONS

Short-term provisions	**2008**	**2007**
Warranty provision	94.218	110.704
Assembly provision	40.728	35.418
Provision for cost and expenses	9.442	5.030
Provision for transportation costs	7.415	9.962
Other	46.491	26.316
	198.294	**187.430**

Long-term provisions	**2008**	**2007**
Warranty provision	51.154	52.258
Other	2.043	-
	53.197	**52.258**

NOTE 21 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

	2008	**2007**
Provision for employment termination benefits	60.217	56.155

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 TRY2.173,19 (31 December 2007: TRY2.030,19) for each period of service at 31 December 2008.

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

In accordance with Turkish Labour Code, employment termination benefit is the present value of the total estimated provision for the liabilities of the personnel who may retire in the future. The group is obligated to pay employment termination benefit for the personnel who are called up to military service, passed away or retired. The provision made for present value of determined social relief is calculated by the prescribed liability method. All actuarial profits and losses are accounted in the consolidated income statement.

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

NOTE 21 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (Continued)

IFRS require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The group makes a calculation for the employment termination benefit by applying the prescribed liability method, by the experiences and by considering the personnel who become eligible for company pension. This provision is calculated by expecting the present value of the future liability which will be paid for the retired personnel.

Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

	2008	**2007**
Discount rate (%)	6,26	5,71
Rate used to estimate the probability of retirement (%)	97	96

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TRY 2.260,05 (1 January 2008: TRY 2.087,92) which is effective from 1 January 2009 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

Movements in the provisions for employment termination benefits for the years ended 31 December are as follows:

	2008	**2007**
Balance at the beginning of the year	**56.155**	**52.852**
Interest expense	3.515	3.017
Actuarial losses/(gains)	688	639
Increase during the year	22.323	16.470
Payments during the year	(22.731)	(16.672)
Translation differences	267	(151)
Balance at the end of the year	**60.217**	**56.155**

NOTE 22 - OTHER ASSETS AND LIABILITIES

Other current assets	**2008**	**2007**
Prepaid taxes and funds	34.660	22.566
Taxes and funds deductible	16.773	14.674
Prepaid expenses	16.590	7.811
VAT and PCT receivables (*)	15.236	36.722
Advances given for inventories	5.377	1.806
Other order advances given	4.973	1.832
Assets held for sale	2.909	1.813
Income accruals	1.183	6.128
Other	5.471	5.589
	103.172	**98.941**

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

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

NOTE 22 - OTHER ASSETS AND LIABILITIES (Continued)

Other current liabilities	**2008**	**2007**
Accruals for sales and marketing expenses	62.835	44.773
Advances received	44.732	67.559
Accruals for licence fee expenses	18.598	8.376
Accruals for customer premiums	14.684	4.101
Accruals for advertising expenses	2.587	2.704
Liabilities attributable to the acquisition (Note 3)	2.002	-
Accruals for bonuses and premiums	569	1.631
Other	3.492	1.533
	149.499	**130.677**

Other non-current liabilities	**2008**	**2007**
Liabilities attributable to the acquisition (Note 3)	8.106	-
Other	4.295	5.098
	12.401	**5.098**

NOTE 23 - EQUITY

Paid-in capital

The Company adopted the registered share capital system available to companies registered with the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of YKr1. Registered and issued share capital of the Company is as follows:

	2008	**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.

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

NOTE 23 - EQUITY (Continued)

The shareholding structures of the Company are as follows:

	2008		2007	
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 Family	9,81	39.252	9,81	39.252
Burla Ticaret ve Yatırım A.Ş.	7,66	30.649	7,66	30.649
Koç Holding Emekli ve Yardım Sandığı Vakfı	4,50	17.982	4,50	17.982
Other	24,21	96.822	24,21	96.822
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 in carrying amounts as a result of revaluations recognised directly in the equity are followed in the headings below:

	2008	**2007**
Financial assets fair value reserve (net)	241.506	440.749
Non-current assets fair value reserve (net) (*)	46.396	-
Total revaluation funds (net)	**287.902**	**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.

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

NOTE 23 - EQUITY (Continued)

Restricted Reserves

The Turkish Commercial code ("TCC") stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. In addition, according to exemption for sale of participation shares and property, a 75% portion of corporations' profits arising from such sales are not withdrawn within five years and are followed in special reserves.

The details of these restricted reserves are as follows:

	2008	**2007**
Legal reserves	157.660	142.920
Special reserves	124	53
Total	**157.784**	**142.973**

Accumulated profits

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

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

- the difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital";

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

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**

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

NOTE 23 - EQUITY (Continued)

Dividend Distribution

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

In accordance with the CMB Decision dated 9 January 2009, concerning allocation basis of profit from operations of 2008, minimum profit distribution shall be applied as 20% (31 December 2007: 20%). According to the Board's decision and Communiqué No. IV-27 issued by the CMB regarding the allocation basis of profit of publicly owned companies, the distribution of the relevant amount may be realised as cash or as bonus shares or partly as cash and bonus shares; and in the event that the first dividend amount to be specified is less than 5% of the paid-up capital, the relevant amount can be retained within the Company. However, companies that made capital increases before distributing dividends related to the prior period and whose shares are therefore classified as "old" and "new" and that will distribute dividends from the profit made from 2008 operations are required to distribute the initial amount in cash.

In addition, according to the aforementioned Board decision, the restrictions on the distributions of the profit derived from the subsidiaries, joint ventures and associates of entities who are required to prepare consolidated financial statements where no profit distribution decision is taken in the general assemblies of such subsidiaries joint ventures and associates is abolished. It is decided that as long as the entities can provide the necessary amount from their statutory reserves, the distributable profit can be calculated based on the net income declared at the publicly announced consolidated financial statements in the accordance with Communiqué XI No. 29.

Accordingly, if the amount of dividend distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit, the total amount of distributable profit shall be distributed. If it exceeds the statutory net distributable profit, the total amount of the statutory net distributable profit shall be distributed. It is stated that dividend distributions should not be made if there is a loss in either the consolidated financial statements prepared in accordance with CMB regulations or in the statutory financial statements.

The remaining current year income and the reserves of the Company that can be subject to the dividend distribution is TRY 562.470 as of 31 December 2008.

NOTE 24 - SALES AND COST OF SALES

	2008	**2007**
Domestic sales	3.717.909	3.753.831
Foreign sales	3.694.949	3.517.057
Gross sales	**7.412.858**	**7.270.888**
Less: Discounts	(637.320)	(648.344)
Net sales	**6.775.538**	**6.622.544**
Cost of sales	(4.905.292)	(4.851.025)
Gross profit	**1.870.246**	**1.771.519**

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

NOTE 25 - RESEARCH AND DEVELOPMENT EXPENSES, SELLING, MARKETING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	2008	2007
Selling, marketing and distribution expenses:		
Warranty and assembly expenses	304.290	252.968
Transportation, distribution and storage expenses	285.809	280.838
Advertising and promotion expenses	200.103	163.863
Personnel expenses	134.090	108.168
License expenses	14.149	4.766
Depreciation and amortisation expenses	8.106	9.231
Energy expenses	3.120	2.659
Other	130.857	111.882
	1.080.524	**934.375**
General administrative expenses:		
Personnel expenses	152.706	140.033
Depreciation and amortisation expenses	23.854	18.911
Repair and maintenance expense	10.237	12.665
Donations	6.463	10.415
Duties, taxes and levies	6.029	3.902
Communication expenses	5.354	4.825
Energy expenses	4.035	3.516
Other	86.938	95.795
	295.616	**290.062**
Research and development expenses:		
Personnel expenses	21.391	12.843
Depreciation and amortisation expenses	12.882	1.863
Energy expenses	1.615	1.038
Other	18.629	14.097
	54.517	**29.841**

NOTE 26 - EXPENSE BY NATURE

	2008	2007
Raw materials, supplies and trade goods	4.384.523	4.337.140
Changes in finished goods, work in process and trade goods	(95.770)	(2.934)
Personnel expenses	528.067	464.592
Warranty and assembly expenses	304.290	252.968
Transportation, distribution and storage expenses	302.284	298.672
Advertising and promotion expenses	200.186	163.898
Depreciation and amortisation expenses	166.090	140.931
Repair and maintenance expenses	93.089	93.724
Energy expenses	67.615	55.769
Royalty expenses	16.492	6.229
Other	369.083	294.314
	6.335.949	**6.105.303**

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

NOTE 27 - OTHER INCOME AND EXPENSES

	2008	2007
Other operating income		
Income from claims and grants	12.973	23.601
Reversals of provisions for doubtful receivables (Note 10)	3.274	5.512
Reversals of provision for impairment on inventories (Note 12)	6.842	6.629
Reversals of other provisions	1.683	1.098
License income	5.029	1.955
Rent income	2.510	1.475
Income from sales of property, plant and equipment	1.471	4.267
Other	11.152	6.213
Other operating income	**44.934**	**50.750**
Other operating expenses		
Provision expense for impairment on inventories (Note 12)	(10.719)	(24.578)
Provision expense for doubtful receivables (Not 10)	(10.349)	(9.903)
Restructuring expenses	(5.589)	(2.806)
Loss from sales of property, plant and equipment	(4.892)	(4.868)
Other provision expenses	(3.460)	(2.330)
Loss from sales of investment	-	(1.234)
Other	(9.963)	(2.929)
Other operating expenses	**(44.972)**	**(48.648)**

NOTE 28 - FINANCIAL INCOME

	2008	2007
Foreign exchange gains	460.130	168.432
Credit finance income	226.350	195.928
Foreign currency forward income	32.316	3.932
Interest income	16.928	21.313
Other	5.312	1.240
Financial income	**741.036**	**390.845**

NOTE 29 - FINANCIAL EXPENSES

Foreign exchange losses	(542.151)	(209.093)
Interest expenses	(467.112)	(379.422)
Credit finance charges	(116.352)	(95.959)
Cash discounts expenses	(26.045)	(21.705)
Foreign currency forward expenses	(10.326)	(12.358)
Other	(1.953)	(7.361)
Financial expenses	**(1.163.939)**	**(725.898)**

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

NOTE 30 - TAX ASSETS AND LIABILITIES

	2008	**2007**
Corporate and income taxes	30.059	41.293
Less: Prepaid taxes	(25.996)	(36.552)
Taxes payable (net)	**4.063**	**4.741**
Deferred tax assets	65.878	53.812
Deferred tax liabilities (-)	(91.471)	(54.494)
Deferred tax liabilities	**(25.593)**	**(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 corporate tax rate is 20%. Corporate 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 in accordance with tax legislation.

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

	2008	**2007**
Taxes on income		
- Current period tax expense	(29.693)	(42.262)
- Deferred tax income	7.128	(19.056)
Taxes on income (net)	**(22.565)**	**(61.318)**

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 tax financial statements. These temporary differences result in the recognition of revenue and expenses in different reporting periods for CMB Financial Reporting Standards and tax purposes.

In accordance with tax laws and regulations of each country as of 31 December 2008, tax rates used for the calculation of taxes on income are as follows:

Germany	31,5%	Spain	30,0%
Austria	25,0%	Italy	37,3%
Czech Republic	21,0%	Hungary	16,0%
China	25,0%	Poland	19,0%
France	33,3%	Romania	16,0%
Netherlands	25,5%	Russia	20,0%
England	28,0%	Slovakia	19,0%

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

NOTE 30 - TAX ASSETS AND LIABILITIES (Continued)

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

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2008	**2007**	**2008**	**2007**
Property, plant and equipment and intangible assets	633.218	427.903	(132.183)	(81.962)
Available-for-sale investments	254.217	463.946	(12.711)	(23.197)
Derivative financial instruments	25.304	-	(5.061)	-
Unused tax credits	(276.633)	(198.643)	55.814	39.714
Provision for warranty, assembly and transportation	(150.793)	(160.747)	29.811	31.993
Provision for employment termination benefits	(59.044)	(55.118)	11.783	11.010
Provision for doubtful receivables	(50.433)	(39.704)	10.087	7.941
Unearned credit finance income (net)	(37.147)	(14.962)	7.299	3.020
Provision for impairment on inventories	(23.928)	(29.906)	4.786	5.981
Accrual for license expenses	(18.599)	(8.313)	3.720	1.663
Accrual for export sales expenses	(3.925)	(10.331)	785	2.066
Other	(577)	(3.100)	277	1.089
Deferred tax liabilities (net)			**(25.593)**	**(682)**

	2008	**2007**
Balance at the beginning of the year	**(682)**	**23.771**
Charged to the income statement	7.128	(19.056)
Charged to the shareholders' equity	(7.643)	(5.783)
Acquisitions	(21.612)	-
Translation differences	(2.784)	386
Balance at the end of the year	**(25.593)**	**(682)**

As a result of group management's evaluation, deferred tax asset amounting to TRY55.814 (2007: TRY39.714) out of tax discounts amounting to TRY276.633 (2007: TRY198.643) is presumed and accounted in accordance with tax law.

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

NOTE 30 - TAX ASSETS AND LIABILITIES (Continued)

	2008	**2007**
Profit before tax	**29.121**	**198.525**
Local tax rate	%20	%20
Tax calculated at the local tax rate	(5.824)	(39.705)
Current year tax losses over which deferred tax asset was not recognised	(32.135)	(25.570)
Exemptions	17.610	5.965
Disallowable expenses	(5.093)	(2.957)
Impact of different tax rates in other countries	3.552	1.956
Adjustments made on statutory financial statements in accordance with CMB Accounting Standards over which deferred tax was not recognised	(1.253)	(1.530)
Non-cash capital increase (Koç Tüketici Finansmanı)	790	790
Other	(212)	(267)
Taxation expense	**(22.565)**	**(61.318)**

NOTE 31 - EARNINGS PER SHARE

Earning per share in terms of share groups is as follows:

	2008	**2007**
Net income attributable to the equity holders of the parent	39.794	157.765
Weighted average number of ordinary shares with nominal value YKr1 each	39.996.000.000	39.996.000.000
Earnings per share (YKr)	**0,0995**	**0,3945**

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

NOTE 32 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

(i) Related party balances

(a) Due from related parties

	2008	2007
Group companies (*)	25.096	77.654
Joint ventures	95.907	92.317
	121.003	**169.971**

(b) Due to related parties

Short-term

	2008	2007
Group companies (*)	91.948	90.365
Associates	51.207	22.824
	143.155	**113.189**

Long-term

	2008	2007
Group companies (*)	72.955	60.038
	72.955	**60.038**

(c) Deposits

	2008	2007
Group companies (*)	2.963	61.691
	2.963	**61.691**

(d) Bank borrowings

	2008	2007
Group companies (*)	217.746	213.520
	217.746	**213.520**

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

NOTE 32 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

e) Derivative financial instruments

2008

	Contract amount	Fair value	
			assets/(liabilities)
Group companies (*)	142.526	-	(2.615)
	142.526	**-**	**(2.615)**

2007

None.

(ii) Transactions with related parties

(a) Sales of goods and services	**2008**	**2007**
Group companies (*)	109.867	125.788
Associates	35.181	37.667
	145.048	**163.455**

(b) Purchases of goods and services	**2008**	**2007**
Associates	428.839	396.538
Group companies (*)	232.834	283.429
Shareholders	9.558	9.220
	671.231	**689.187**

(c) Key management compensation

Total compensation provided to key management personnel by the Company during the year ended 31 December 2008 amounts to TRY15.036 (31 December 2007: TRY17.120).

(d) Other transactions

	2008	**2007**
Dividends paid	102.037	203.265
Dividends received	-	3.320
Interest expense	53.718	38.850
Interest income	1.985	1.633

(*) Group companies include Koç group companies.

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Liquidity Risk

The Group eliminates the risk of failure to settle its financial and commercial liabilities by managing the balance sheet according to expected cash flows.

In this context, the maturities of the financial liabilities are arranged according to the maturities of assets, and a mismatch between the maturities is eliminated. There is a level of "acid-test" ratio to manage the consolidated and stand alone balance sheets followed by the Group Companies' managements.

Additionally, the Group aims to maintain flexibility in funding by maintaining the availability of committed credit lines.

The analysis of the Group's financial liabilities with respect to their maturities as of 31 December 2008 is as follows:

	Carrying value	Contractual cash-flows	Up to 3 months	3 months - 12 months	1 year - 5 years	More than 5 years
Current liabilities (non-derivative):						
Financial liabilities	1.914.505	2.129.010	1.358.777	770.233	-	-
Trade payables	705.327	710.968	689.219	21.749	-	-
Other payables	34.568	34.568	23.813	10.755	-	-
Provisions	198.294	198.294	48.096	150.198	-	-
Other current liabilities	149.499	149.499	142.125	7.374	-	-
	3.002.193	**3.222.339**	**2.262.030**	**960.309**	**-**	**-**
Non-current liabilities (non-derivative):						
Financial liabilities	1.576.603	1.720.359	-	-	1.720.359	-
Trade payables	72.955	99.824	-	-	39.181	60.643
Provisions	53.197	53.197	-	-	53.197	-
Other non-current liabilities	8.892	8.892	-	-	8.892	-
	1.711.647	**1.882.272**	**-**	**-**	**1.821.629**	**60.643**
	4.713.840	**5.104.611**	**2.262.030**	**960.309**	**1.821.629**	**60.643**

Derivative financial instruments [(*)]

	Carrying value	Contractual cash-flows	Up to 3 months	3 months - 12 months	1 year - 5 years
Derivative cash inflows	380.733	381.815	371.494	10.321	-
Derivative cash outflows	(360.227)	(361.269)	(365.327)	4.058	-
Derivative instruments, net cash inflows	**20.506**	**20.546**	**6.167**	**14.379**	**-**

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Group's maturity analysis of financial liabilities as of 31 December 2007 is as follows:

	Carrying value	Contractual cash-flows	Up to 3 months	3 months - 12 months	1 year - 5 years	More than 5 years
Current liabilities (non-derivative):						
Financial liabilities	2.076.459	2.247.130	1.100.970	1.146.160	-	-
Trade payables	660.740	673.751	572.576	101.175	-	-
Other payables	31.540	31.540	31.540	-	-	-
Provisions	187.430	187.430	77.839	109.591	-	-
Other current liabilities	130.677	130.677	130.677	-	-	-
	3.086.846	**3.270.528**	**1.913.602**	**1.356.926**	**-**	**-**
Non-current liabilities (non-derivative):						
Financial liabilities	995.872	1.172.749	-	-	1.172.749	-
Trade payables	60.038	83.947	-	-	30.487	53.460
Provisions	52.258	52.258	-	-	52.258	-
Other non-current liabilities	1.539	1.539	-	-	1.539	-
	1.109.707	**1.310.493**	**-**	**-**	**1.257.033**	**53.460**
	4.196.553	**4.581.021**	**1.913.602**	**1.356.926**	**1.257.033**	**53.460**

Derivative financial instruments (*)

	Carrying value	Contractual cash-flows	Up to 3 months	3 months - 12 months	1 year - 5 years
Derivative cash inflows	79.976	79.976	79.976	-	-
Derivative cash outflows	(81.636)	(81.636)	(81.636)	-	-
Derivative instruments, net cash outflows	**(1.660)**	**(1.660)**	**(1.660)**	**-**	**-**

(*) Amounts are undiscounted cash flows of contract values. Balances with maturities of less than three months are equal to their book value as their discount amounts are immaterial.

Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing liabilities and assets. These exposures are managed by offsetting interest rate sensitive assets and liabilities and using derivative instruments when considered necessary.

In this context, matching of not only maturities of receivables and payables but also contractual repricing dates are crucial. In order to keep the exposure of financial liabilities to interest rate changes at a minimum, "fixed interest/ floating interest", "short-term/ long-term", "TRY/ foreign currency" balance should be structured consistent within and with assets in the balance sheet.

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Average effective annual interest rates of balance sheet items as of 31 December are as follows:

2008 (%)	**TRY**	**EUR**	**USD**	**GBP**	**RON**	**RUB**	**CNY**
Current assets							
Cash and cash equivalents	-	3,6	7,4	1,3	11,1	8,6	6,0
Trade receivables	27,0	4,3	1,8	5,0	-	-	-
Current liabilities							
Financial liabilities	22,7	5,8	6,5	-	-	18,3	-
Trade payables	13,8	3,1	2,0	3,1	-	-	-
Non-current liabilities							
Financial liabilities	19,6	6,0	7,0	-	-	-	-

2007 (%)	**TRY**	**EUR**	**USD**	**GBP**	**RON**	**RUB**	**CNY**
Current assets							
Cash and cash equivalents	-	4,2	5,4	-	5,6	-	-
Trade receivables	27,0	4,5	4,6	5,0	-	-	-
Current liabilities							
Financial liabilities	17,8	6,0	5,6	-	-	8,2	1,6
Trade payables	16,9	4,8	4,2	5,7	-	-	-
Current liabilities							
Financial liabilities	16,3	5,5	7,1	7,0	-	8,1	-

Analysis of financial instruments of the Company which are sensitive to interest rate changes is as follows:

	2008	**2007**
Financial instruments with fixed interest rates		
Time deposits	329.067	245.410
Financial liabilities	1.917.748	1.696.319
Financial instruments with variable interest rates		
Financial liabilities	1.573.360	1.376.012

At 31 December 2008, if interest rates at contractual repricing dates of YTL, EUR and USD denominated financial assets and liabilities with variable interest rates has strengthened/weakened by 100 base point against TRY with all other variables held constant, income before taxes and minority interest would have been TRY15.734 (2007: TRY13.760) lower/ higher as a result of interest expenses.

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Funding risk

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders.

Credit risk

The group is exposed to credit risk arising from receivables from credit financed sales and deposits with banks.

A significant amount of trade receivables is from related parties. Credit risk of receivables from third parties is managed by securing receivables with collaterals covering receivables at the highest possible proportion. Methods used are as follows:

- Bank guarantees (guarantee letters, letter of credits etc.),
- Credit insurance (Global insurance policies, Eximbank and factoring insurance etc.),
- Mortgages,
- Cheques-notes.

In credit risk control, the credit quality of each customer is assessed; taking into account its financial position, past experience and other factors, individual risk limits are set in accordance and the utilisation of credit limits is regularly monitored.

For banks, the ratings of the independent rating institutions are taken into consideration.

Same credit risk management principles are used for the management of the financial assets. Investments are made to instruments with highest liquidity and credit note of the company of transaction is taken into consideration.

Details of credit and receivable risk as of 31 December are as follows:

	Trade Receivables		Deposits
31 December 2008	**Related parties**	**Other party**	**in Banks**
Maximum exposed credit risk as of reporting date(1)	**115.767**	**2.529.160**	**42.296**
Secured portion of the maximum credit risk by guarantees, etc.	-	2.244.429	-
A. Net book value of financial assets either are not due or not impaired	99.065	2.268.396	42.296
- Secured portion by guarantees, etc.	-	(1.992.619)	-
B. Financial assets with renegotiated conditions	-	21.523	-
- Secured portion by guarantees, etc.	-	(21.523)	-
C. Net book value of the expired but not impaired financial assets	16.702	200.180	-
- Secured portion by guarantees, etc.	-	(200.180)	-
D. Net book value of the impaired assets	-	39.061	-
- Overdue (Gross book value)	-	133.686	-
- Impairment (Note 10)	-	(94.625)	-
- Secured portion of the net value by guarantees, etc.	-	(30.107)	-

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2007	Trade Receivables Related parties	 Other party	Deposits in Banks
Maximum exposed credit risk as of reporting date(1)	**169.971**	**2.272.594**	**99.695**
Secured portion of the maximum credit risk by guarantees, etc.	-	1.988.707	-
A. Net book value of financial assets either are not due or not impaired	127.999	2.088.592	99.695
- Secured portion by guarantees, etc.	-	(1.807.521)	-
B. Financial assets wit7 renegotiated conditions	-	36.968	-
- Secured portion by guarantees, etc.	-	(36.968)	-
C. Net book value of the expired but not impaired financial assets	41.972	134.863	-
- Secured portion by guarantees, etc.	-	(134.863)	-
D. Net book value of the impaired assets	-	12.171	-
- Overdue (Gross book value)	-	78.691	-
- Impairment (Note 10)	-	(66.520)	-
- Secured portion of the net value by guarantees, etc.	-	(9.355)	-

(1) Amounts showing the maximum credit risk exposed as of balance sheet date by excluding guarantees in hand and other factors that increase the credit quality.

a) Credit quality of financial assets

	2008	2007
Group 1	107.163	355.591
Group 2	2.106.005	1.813.371
Group 3	175.816	84.597
	2.388.984	**2.253.559**

Group 1 - New customers (Less than three months).

Group 2 - Existing customers with no defaults in the past (excluding related parties).

Group 3 - Existing customers with some defaults in the past of which were fully recovered (excluding related parties).

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

b) Aging of the receivables which are overdue but not impaired

	2008	2007
0-1 month	95.378	81.319
1-3 month	25.622	42.009
3-12 month	68.108	46.196
1-5 years	27.774	7.311
	216.882	**176.835**

c) Geographical concentration of the trade receivables

	2008	2007
Turkey	1.779.133	1.724.117
Europe	666.898	596.465
Other	198.896	121.984
	2.644.927	**2.442.566**

Foreign exchange risk

The Group is exposed to foreign exchange rate risk through operations done using multiple currencies. The main principle in the management of this foreign currency risk is maintaining foreign exchange position in a way to be affected least by the fluctuations in foreign exchange rates, in other words, maintaining foreign exchange position close to zero.

For this reason, the proportion of the positions of these currencies among each other or against new Turkish lira to shareholders' equity is aimed to be controlled under certain limits.

Derivative financial instruments are also used, when necessary. In this context, the Group's primary method is utilising forward foreign currency transactions.

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

Foreign currency position

Assets and liabilities denominated in foreign currency held by the Group at 31 December are as follows:

	2008	2007
Assets	2.024.022	1.887.383
Liabilites	(2.046.938)	(1.730.987)
Net balance sheet position	**(22.916)**	**156.396**
Net position of off-balance sheet derivative financial instruments	74.210	(1.660)
Net foreign currency position	**51.294**	**154.736**

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent at 31 December 2008 are as follows:

	EUR	USD	GBP	RON	RUB	(*) Other	Total TRY equivalent
Current assets							
Trade receivables	278.227	158.008	54.326	88.999	915.852	72.217	1.121.026
Monetary financial assets	61.377	93.799	13.625	60.327	105.248	27.421	368.383
Other	121.521	22.797	31.181	106.151	1.625.215	16.725	520.694
Non-current assets							
Non-monetary financial assets	1.217	-	112	-	176.852	1.932	13.919
Total assets	**462.341**	**274.604**	**99.244**	**255.477**	**2.823.167**	**118.295**	**2.024.022**
Current liabilities							
Trade payables	84.895	113.801	922	55.938	132.407	5.461	398.216
Financial liabilities	278.248	83.938	-	560	390.213	-	743.071
Other monetary financial liabilities	53.956	3.239	8.324	6.303	63.009	8.330	153.627
Other non-monetary financial liabilities	14.801	12.899	3.093	17.953	31.940	24.992	94.258
Non-current liabilities							
Trade payables	-	48.241	-	-	-	-	72.955
Financial liabilities	196.085	84.492	-	540	-	-	547.846
Other monetary financial liabilities	847	-	-	15.684	-	-	10.239
Other non-monetary financial liabilities	3.579	286	3.952	15.656	4.723	1.315	26.726
Total liabilities	**632.411**	**346.896**	**16.291**	**112.634**	**622.292**	**40.098**	**2.046.938**
Net balance sheet position	**(170.070)**	**(72.291)**	**82.954**	**142.844**	**2.200.875**	**78.197**	**(22.916)**
Off-balance sheet derivative financial assets	111.629	86.474	-	-	-	-	369.751
Off-balance sheet derivative financial liabilities	(65.455)	-	(67.031)	-	-	(8.456)	(295.541)
Net position of off-balance sheet items	46.174	86.474	(67.031)	-	-	(8.456)	74.210
Net foreign currency asset/ (liability) position	**(123.896)**	**14.183**	**15.923**	**142.844**	**2.200.875**	**69.741**	**51.294**
Net foreign currency position of the monetary items	**(274.427)**	**(81.904)**	**58.705**	**70.301**	**435.471**	**85.847**	**(436.545)**

(*) Composed of the other foreign currencies in terms of TRY.

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The original currency amounts of assets and liabilities denominated in foreign currencies and the total TRY equivalent at 31 December 2007 are as follows:

	EUR	USD	GBP	RON	RUB	(*) Other	Total TRY equivalent
Current assets							
Trade receivables	272.721	322.591	40.451	115.038	1.189.502	69.174	1.116.498
Monetary financial assets	97.827	99.156	12.904	23.480	121.507	17.668	347.379
Other	99.812	47.416	27.571	97.580	1.283.632	23.920	421.289
Non-current assets							
Non-monetary financial assets	-	-	112	-	24.982	767	2.217
Total assets	**470.360**	**469.163**	**81.039**	**236.098**	**2.619.623**	**111.529**	**1.887.383**
Current liabilities							
Trade payables	113.576	269.649	4.990	33.415	258.437	16.318	564.351
Financial liabilities	23.162	142.391	-	-	35.509	32.666	321.798
Other monetary financial liabilities	24.237	11.416	6.335	9.385	11.955	15.424	91.768
Other non-monetary financial liabilities	21.048	-	9.891	12.315	18.553	728	66.446
Non-current liabilities							
Trade payables	-	51.548	-	-	-	-	60.733
Financial liabilities	256.450	126.286	-	-	-	43	603.816
Other monetary financial liabilities	2.019	-	-	22.704	-	587	14.795
Other non-monetary financial liabilities	1.540	-	76	8.668	-	364	7.280
Total liabilities	**442.032**	**601.290**	**21.292**	**86.487**	**324.454**	**66.130**	**1.730.987**
Net balance sheet position	**28.328**	**(132.127)**	**59.747**	**149.611**	**2.295.169**	**45.399**	**156.396**
Off-balance sheet derivative financial assets	5.296	60.889	-	-	-	-	79.976
Off-balance sheet derivative financial liabilities	(42.335)	-	-	-	-	(9.235)	(81.636)
Net position of off-balance sheet items	(37.038)	60.889	-	-	-	(9.235)	(1.660)
Net foreign currency asset/ (liability) position	**(8.710)**	**(71.238)**	**59.747**	**149.612**	**2.295.170**	**36.164**	**154.736**
Net foreign currency position of the monetary items	**(48.896)**	**(179.543)**	**42.030**	**73.014**	**1.005.108**	**21.804**	**(193.384)**

(*) Composed of the other foreign currencies in terms of TRY.

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency sensitivity analysis as of 31 December are as follows:

31 December 2008	**Gain/Loss**		**Equity**	
	Foreign exchange appreciation	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/-10% fluctuation of USD rate				
USD net asset/liability	(10.933)	10.933	(10.933)	10.933
Secured portion from USD risk (*)	13.078	(13.078)	13.078	(13.078)
USD net effect	**2.145**	**(2.145)**	**2.145**	**(2.145)**
+/-10% fluctuation of EUR rate				
EUR net asset/liability	(40.183)	40.183	(23.448)	23.448
Secured portion from EUR risk (*)	22.827	(22.827)	9.885	(9.885)
EUR net effect	**(17.356)**	**17.356**	**(13.563)**	**13.563**
+/-10% fluctuation of GBP rate				
GBP net asset/liability	16.584	(16.584)	18.437	(18.437)
Secured portion from GBP risk (*)	(14.696)	14.696	(14.696)	14.696
GBP net effect	**1.888**	**(1.888)**	**3.741**	**(3.741)**
+/-10% fluctuation of RON rate				
RON net asset/liability	-	-	12.760	(12.760)
Secured portion from RON risk (*)	-	-	-	-
RON net effect	**-**	**-**	**12.760**	**(12.760)**
+/-10% fluctuation of RUB rate				
RUB net asset/liability	-	-	5.999	(5.999)
Secured portion from RUB risk (*)	-	-	-	-
RUB net effect	**-**	**-**	**5.999**	**(5.999)**
	(13.323)	**13.323**	**11.082**	**(11.082)**

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2007	**Gain/Loss**		**Equity**	
	Foreign exchange appreciation	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
+/-10% fluctuation of USD rate				
USD net asset/liability	(15.389)	15.389	(15.389)	15.389
Secured portion from USD risk (*)	7.092	(7.092)	7.092	(7.092)
USD net effect	**(8.297)**	**8.297**	**(8.297)**	**8.297**
+/-10% fluctuation of EUR rate				
EUR net asset/liability	705	(705)	(36)	36
Secured portion from GBP risk (*)	9.058	(9.058)	(6.334)	6.334
EUR net effect	**9.763**	**(9.763)**	**(6.370)**	**6.370**
+/-10% fluctuation of GBP rate				
GBP net asset/liability	4.517	(4.517)	5.821	(5.821)
Secured portion from GBP risk (*)	-	-	-	-
GBP net effect	**4.517**	**(4.517)**	**5.821**	**(5.821)**
+/-10% fluctuation of RON rate				
RON net asset/liability	-	-	10.148	(10.148)
Secured portion from RON risk (*)	-	-	-	-
RON net effect	**-**	**-**	**10.148**	**(10.148)**
+/-10% fluctuation of RUB rate				
RUB net asset/liability	-	-	4.230	(4.230)
Secured portion from RUB risk (*)	-	-	-	-
RUB net effect	**-**	**-**	**4.230**	**(4.230)**
	5.983	**(5.983)**	**5.532**	**(5.532)**

(*) Includes effects of off-balance sheet derivative instruments.

The import and exports amounts at 31 December 2008 are as follows:

	2008		**2007**	
	Original amount	**TRY equivalent**	**Original amount**	**TRY equivalent**
EUR	773.277.203	1.470.856	859.196.399	1.524.988
USD	626.538.679	813.231	541.900.240	692.263
GBP	170.721.524	405.682	162.663.466	424.024
Other		11.164		11.070
Total exports		**2.700.933**		**2.652.345**
EUR	410.802.165	802.961	510.325.244	939.689
USD	739.557.662	977.046	722.653.795	973.602
GBP	536.007	1.332	797.941	2.189
Other		4.536		10.978
Total imports		**1.785.875**		**1.926.458**

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

NOTE 33 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Capital Risk Management

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

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

The gearing ratios at 31 December are as follows:

	2008	**2007**
Total liabilities	4.927.900	4.381.069
Cash and cash equivalents	(415.586)	(401.492)
Net debt	4.512.314	3.979.577
Total shareholders' equity	2.001.329	2.145.730
Invested capital	6.513.463	6.125.307
Gearing ratio	**69%**	**65%**

NOTE 34 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

Following methods and assumptions were used to estimate the fair value of the financial instruments for which is practicable to estimate fair value:

Financial Assets

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

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

NOTE 34 - FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES) (Continued)

The carrying values of cash and cash equivalents are estimated to be their fair values since they are short term.

The fair values of financial assets carried fair value are determined by undisputed similar transactions method. The carrying values of financial assets along with the related allowances for impairment are estimated to be their fair values.

Financial Liabilities

The carrying values of trade payables denominated in foreign currencies, which are translated at period-end exchange rates, are considered to approximate fair values. The carrying values of other trade payables are estimated to be their fair values since they are short term.

The fair values of short-term financial liabilities are estimated to be their fair values since they are short term.

The fair values of long-term financial liabilities are determined by discounting contractual cash flows with current market interest rate.

NOTE 35 - SUPPLEMENTARY CASH FLOW INFORMATION

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

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

	2008	2007
Changes in reserves and provisions		
Warranty provision	(17.590)	(83.230)
Assembly and transportation provision	2.763	(10.454)
Provision for impairment on inventories	10.719	24.578
Provision for doubtful receivables	10.349	9.903
Provision for employment termination benefits	4.062	3.303
Accrual for customer premiums	10.583	(2.712)
Accrual for bonuses and premiums	(1.062)	(1.613)
Accrual for sales and marketing expenses	18.062	65
	37.886	**(60.160)**
Changes in operating assets and liabilities		
Trade receivables	(111.534)	105.948
Trade payables	(56.242)	(546.371)
Inventories	42.585	(42.454)
Financial assets	12	1.772
Other current assets and liabilities	(65.488)	23.936
Other non-current assets and liabilities	(3.817)	(8.412)
	(194.484)	**(465.581)**

NOTE 36 - SUBSEQUENT EVENTS

a) Board of Directors of Arçelik A.Ş. has taken the following decisions in the meeting held on 27 February 2009:

- The Company management is authorised for the disposal and cash collection of the shares, that the Company has in Koç Finansal Hizmetler, amounting to TRY230.642 and 23.064.204.064 units with a nominal value of 1YKr. Units of 8.926.253.373 amounting to TRY201.573 will be transferred to Koç Holding and units of 2.144.510.952 amounting to TRY48.427 will be transferred to Temel Ticaret ve Yatırım A.Ş.

- The total paid-in share capital of the Company is increased from TRY399.960 to TRY649.935 within the limits of TRY1.500.000 on the registered share capital.

- The Company management is authorised to execute the transactions to merge Grundig Elektronik into the Company through the transfer of all its assets and liabilities to the Company in accordance with the articles of Turkish Commercial Code, Corporate Tax Laws and CMB Legislation based on the financial statements as of 31 December 2008 prepared in accordance with the CMB financial reporting standards.

b) In accordance with the Article 1 of the Law No. 5083 concerning the "Currency of the Republic of Turkey" and according to the Decision of The Council of Ministers dated April 4, 2007 and No. 2007/11963, the prefix "new" used in the "new Turkish Lira" and the "new Kurus" will be removed as of January 1, 2009. When the prior currency, new Turkish lira ("TRY"), values are converted into TL and Kr, one TRY (TRY1) and one YKr (YKr1) shall be equivalent to one TL (TL1) and one Kr (Kr1).

All references made to new Turkish lira or lira in laws, other legislation, administrative transactions, court decisions, legal transactions, negotiable instruments and other documents that produce legal effects as well as payment and exchange instruments shall be considered to have been made to TL at the conversion rate indicated above. Consequently, effective from 1 January 2009, the TL replaces the TRY as a unit of account in keeping and presenting of books, accounts and financial statements.

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