BEKO ELEKTRONİK
ANNUAL REPORT 2006

Koç

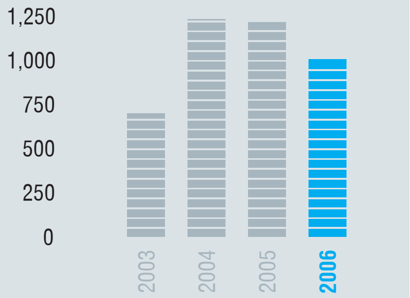
THE SUCCESS OF BEKO ELEKTRONİK COMES FROM ITS COMMITMENT TO DEVELOPMENT, QUALITY AND DETAILS

CONTENTS

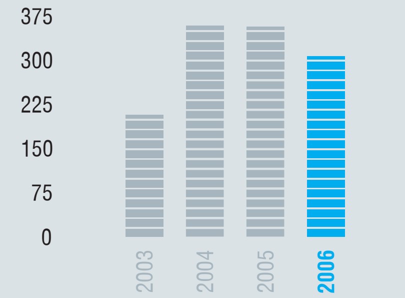
FINANCIAL RATIOS

REGIONAL DISTRIBUTION OF SALES

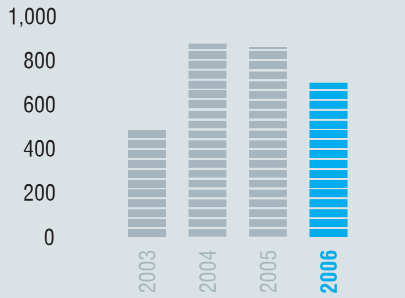
NET SALES
(EUR Million)



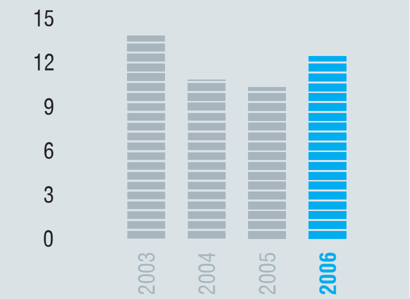
NET SALES - DOMESTIC
(EUR Million)



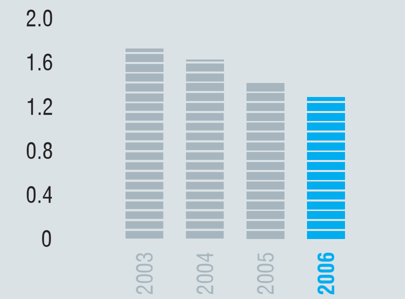
NET SALES - INTERNATIONAL
(EUR Million)



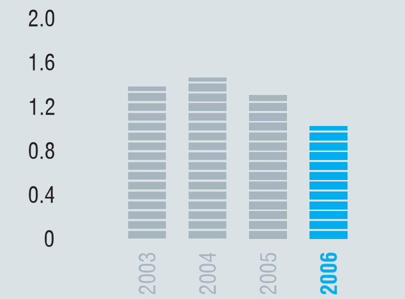
GROSS PROFIT MARGIN
(%)



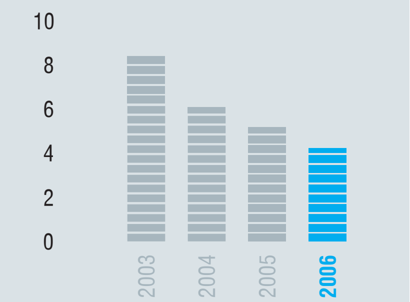
ASSETS TURNOVER



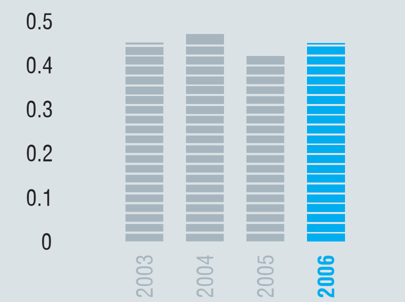
CURRENT RATIO



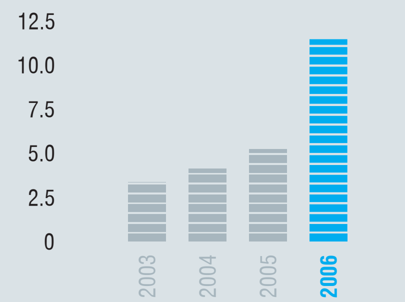
INVENTORY TURNOVER



NET WORKING CAPITAL / TOTAL ASSETS



TOTAL ASSETS / SHAREHOLDERS' EQUITY



From its inception Beko Elektronik has always targeted excellence. The Company's achievements thus far are the product of intensive labor and effort.

Beko Elektronik has translated strong and long-term relationships with consumers into a robust position in the industry. In 2006, a total of 4,990,505 TV sets were sold. The Company exports 78% of its turnover in terms of sales units.

Beko Elektronik keeps abreast of the latest advances in technology and consumer trends and adopts the necessary changes in its production processes. Influenced by the transition from analog technology (CRT) to digital technology (LCD, PDP), 2006 unit sales fell to a certain extent, but no significant change was observed in overall revenue.

An important achievement of the last year was the reduction in lead times. For example, the labor time required for the production of one TV set fell from 0.75 hours in 2005 to 0.69 hours in 2006. With its ongoing quality-focused projects, labor time is expected to be reduced even further, with zero error margin.

A Changing World, A Growing Beko Elektronik

With the significant advances it has made in recent years, the Company has carved out a reputable position for itself in international markets. With 98% of its exports going to Europe, Beko Elektronik is the second largest TV manufacturer on the continent. The Company serves a diverse customer portfolio with flexible and state-of-the-art production technologies, a strong marketing and distribution network, and a skilled R&D team focused on software and design. Beko Elektronik continues its journey to become an important player in the electronics industry, both domestically and internationally, emerging as a leader in technology with innovative products.

Beko Elektronik plans to expand its production and increase its international presence by exporting a significant percentage of its output. Corporate culture of the Company is characterized by its skilled employees, dedication to customer satisfaction and investments and efforts to develop its own technology.

Expanding the Market Share

The Company has continued to improve its already strong position in the domestic market despite the intense competition that characterizes the sector. The Company's market share increased from 33% in 2005 to 41% in 2006.

Exports are the driving force of Beko Elektronik's growth strategy. While the Company held a 3% share in the European market at the beginning of this decade, this has grown to an average of 15% in the last three years. This huge leap, of course, did not happen by chance. The Company has concentrated on exports since its inception, and now it is starting to reap the benefits of this investment. One of Beko Elektronik's most important goals is to continuously improve its performance, particularly in the European market.

Today, Beko Elektronik is one of the most important global players of the sector. The Company is dedicated to working towards an even better performance in the future.

UNIT SALES

	2006	2005	Difference (%)
TVs - Domestic	1,124,271	1,045,018	7.6
TVs - International	3,866,234	4,399,350	(12.1)
Cash Registers	54,409	65,354	(16.7)
PCs	93,962	94,573	(0.6)
Monitors	103,708	115,854	(10.5)

SUBSIDIARIES

With the strong support of its subsidiaries, Beko Elektronik establishes trust-based relationships and continually strengthens its position in the industry.

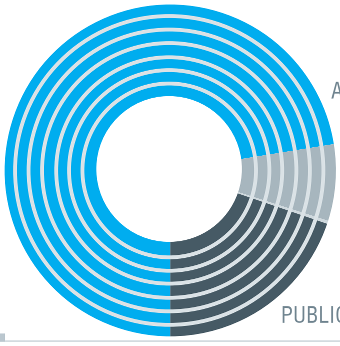
Name	Area of Activity	Share (%)
Subsidiaries Abroad		
BekoDutch B.V.	Consumer Electronics	100.0
Beko Elektronik LLC	Consumer Electronics	100.0
Grundig Multimedia B.V.	Display & Audio Sales	50.0

Affiliate	Country
Grundig Benelux B.V.	Netherlands
Grundig Australia Pty. Limited	Australia
Grundig Danmark A/S	Denmark
Grundig Espana S.A.	Spain
Grundig Magyarország Kft.	Hungary
Grundig Intermedia GmbH	Germany
Grundig Italiana SpA	Italy
Grundig (Schweiz) AG	Switzerland
Grundig Norge AS	Norway
Grundig OY	Finland
Grundig Portuguesa, Lda	Portugal
Grundig Polska Sp. z o.o.	Poland
ISG Intermedia Service GmbH	Germany
Grundig Svenska AB	Sweden
Grundig Intermedia Ges.m.b.H	Austria
Grundig S.A.S.	France

Beko Elektronik enjoys trust-based business relationships with each of its subsidiaries listed above, constantly improving the quality of its operations.

SHAREHOLDING STRUCTURE

SHARE (TRY thousand)



The majority shareholder of Beko Elektronik is Arçelik A.Ş. A total of 19.79% of Beko Elektronik shares are publicly traded on the Istanbul Stock Exchange.

No capital increase was undertaken in 2006.

REPORT OF THE BOARD OF DIRECTORS AND MESSAGE FROM THE CHAIRMAN

Beko Elektronik is guided by the words of its founder, the late Vehbi Koç: “To be the best is our ultimate goal.” In keeping with this tenet, the Company will be taking important steps to distinguish itself with new and innovative products in 2007.

Esteemed Shareholders,

The year 2006 witnessed major developments both in the world and in Turkey. We welcomed 2007 filled with fresh hopes and expectations. I hope the new year will be a positive one for Turkey and the world.

Thanks to political stability at home, the Turkish economy revived and experienced growth last year. Achieving and maintaining stability on macroeconomic level, despite an up-and down, continuing EU membership process and undertaking necessary reforms have made Turkey an attractive country for investors.

In the coming years, Turkey's main goal should be to maintain economic and political stability and create a suitable environment for new investments and privatization.

I am confident that the government will continue its implementation of strict fiscal policies with full determination and discipline, undertaking the necessary reforms and maintaining the current uptrend.

Turkey will have two important elections in 2007. Our sole hope is that Turkey will prudently conduct this process without upsetting the country's basic dynamics. A great deal of responsibility in this period will fall upon the shoulders of the government, as well as upon institutions and individuals. If we fulfill our duties as a country in terms of politics, economics and the law, and also in pursuit of the level of prosperity and democracy that we seek, Turkey will emerge stronger than ever before.

The year 2006 was a successful one in which our Group, celebrating its 80th anniversary, exceeded its targets. We continued our growth pattern, with new investments on the one hand and an expansion of current operations on the other.

The durable goods division of the Group, which had a major share in our positive results, was involved in some significant operations last year. In October, Arçelik raised its stake in Beko Elektronik from 22.36% to 72.46%, becoming the Company's largest shareholder. The basic aim of this new and strategic move was to bring together two complementary operations under a single management, and with the resulting synergy, to increase productivity, achieve financial savings and speed up decision-making processes. This new structure will also strengthen our position in the industry, which is filled with intense competition and rapid change.

At a time when the industry was experiencing so many transformations, the Company ended 2006 with a loss of TRY 128 million. Upon the completion of the reorganization currently taking place at both Beko Elektronik and its subsidiary Grundig, we have every confidence that 2007 and subsequent years will generate profits.

Our Company completed a major investment in 2006. In keeping with its strategy to expand into new geographical areas, the Company launched a television plant in Russia in October. With this investment, Beko Elektronik will be increasing its presence in Russia and the Turkic Republics, targeting a 10% market share by 2008.

In 2006, Beko Elektronik's exports accounted for 78% of its total unit sales. With 98% of its exports going to Europe, the Company has become the second largest TV manufacturer in Europe.

Despite intense competition, Beko Elektronik is steadily getting stronger in the domestic market. The Company's market share increased from 30% in 2005 to over 40% in 2006.

Last year, Beko Elektronik LCD and plasma TV production capacity reached 2.1 million sets. During the same time, the Company put EUR 27 million into investments. By consistently expanding its investments in R&D and technology, our Company today enjoys the distinction of holding the largest number of patent applications in the consumer electronics industry in Turkey.

In line with its growth strategies in the international arena, the 2004 acquisition of the Grundig brand, in partnership with the English Alba Company, was an important step for Beko Elektronik. Grundig is a well-known brand all over Europe and is one of Beko Elektronik's most valuable assets. Efforts are ongoing to turn Grundig into a worldwide brand.

In 2007, Beko Elektronik will:

- continue to make progress in R&D, improving the quality of its products and increasing its speed in launching new products,

- expand its geographical boundaries and become more productive with its factory in Russia, which started operation in October of 2006,

• continue to increase steadily growing share of Original Design Manufacturing (ODM) and branded products in total sales and to provide its customers not merely with products, but also a wide range of services, from design to R&D. It is the aim of the Company to outperform its competitors without compromising quality, providing its clients with the latest technological products, both with speed and in line with their needs, simultaneously working to become one of the leading consumer electronics corporations in the world.

Beko Elektronik will feel the positive impacts of its reorganization effort much more clearly in 2007, and will work efficiently to improve productivity and create shareholder value as a profitable company.

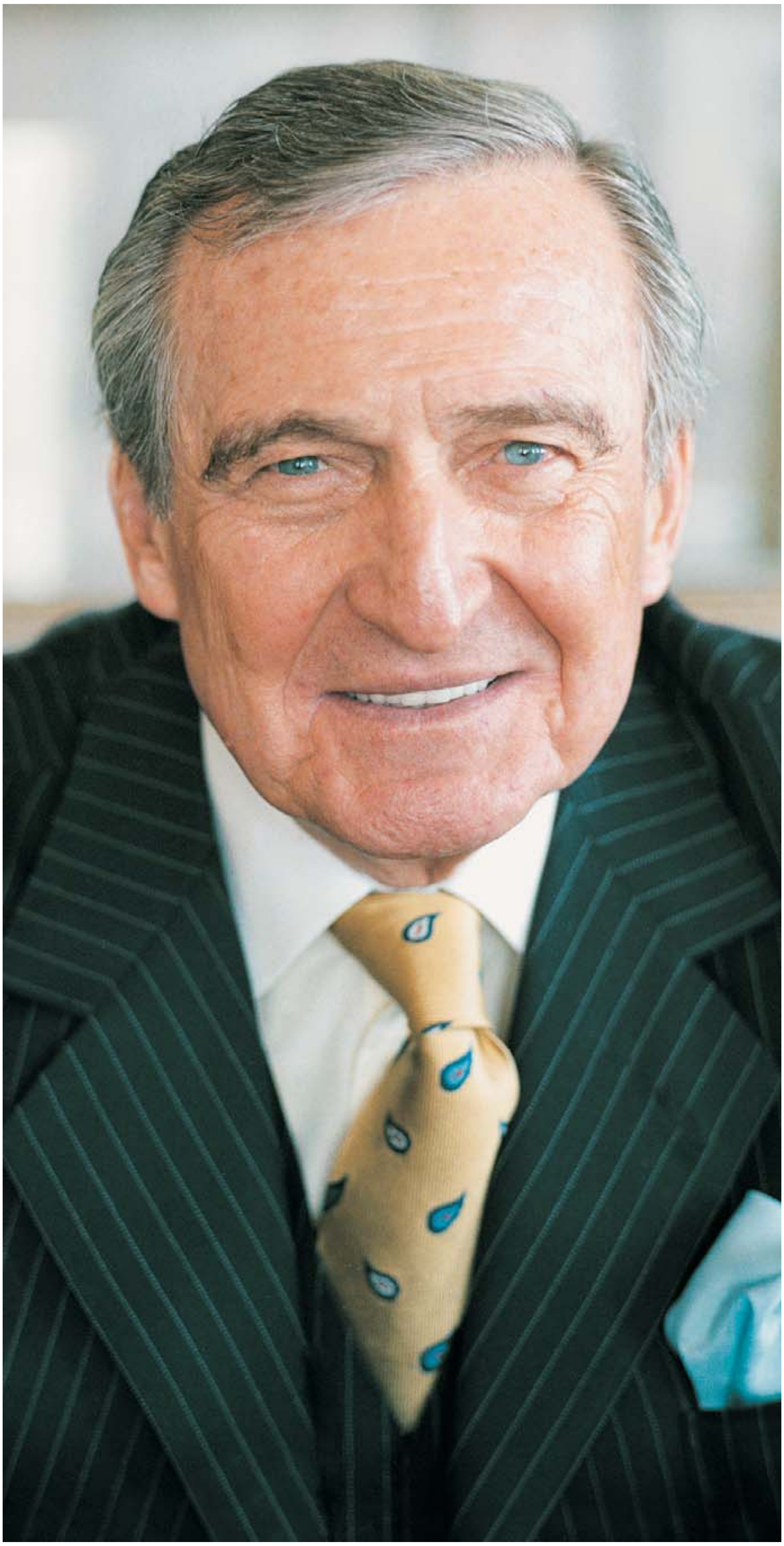
The Company is guided by the words of its founder, the late Vehbi Koç: "To be the best is our ultimate goal." In keeping with this tenet, Beko Elektronik will be taking important steps to distinguish itself with new and innovative products in 2007.

Finally, I would like to thank all the members of our Group for their unconditional support, as well as our business partners, colleagues and shareholders for their confidence in our Company.

I wish all of you good health, wellbeing and success.

Yours truly,

Rahmi M. KOÇ
Chairman of the Board
Beko Elektronik



BOARD OF DIRECTORS in 2006*

Rahmi M. Koç, Chairman
Dr. Bülent Bulgurlu,** Vice-Chairman
Aydın İ. Çubukçu,** Member
Temel K. Atay, Member
İ. Tamer Haşimoğlu, Member
Nevzat Tüfekçioğlu, Member
A. Gündüz Özdemir*,** Member

Board of Auditors

Mert Ş. Bayram
Abdülkadir Kahraman

* Members of the Board of Directors are reelected each year at the General Meeting of Shareholders in accordance with the Articles of Association.
** Dr. Bülent Bulgurlu and Aydın İ. Çubukçu are also members of the Audit Committee.
*** A. Gündüz Özdemir was elected in January 2007 to replace Yağız Eyüboğlu.

MANAGEMENT in 2006

C. Ş. Oğuzhan Öztürk
General Manager

Öztürk started his career in 1982 as a research assistant at Istanbul Technical University's Materials Science Institute and has been working as the General Manager of Beko Elektronik since October 20, 2006.

A. Ercan Şenolur
Assistant General Manager, Production

Şenolur started his career in 1975 as a project engineer at PTT's Istanbul headquarters and has been working at Beko Elektronik since 1979. He has been serving as the Assistant General Manager in charge of production since 2005.

Dr. Tibet Mimaroğlu
Assistant General Manager, R&D

Mimaroğlu started his career in 1981 as an X-ray medical instrument designer at Quantex and has been working at Beko Elektronik since 2005 as the Assistant General Manager in charge of R&D.


BEKO

OPERATIONS in 2006

INVESTMENTS

Beko Elektronik increased its annual production capacity to 2.1 million LCD and plasma TVs in 2006. With its domestic and international investments, global growth forms the basis of the Company's strategy.

Investments in Additional Capacity

Beko Elektronik is aware that continuous achievement can only be sustained by investing in technology and manpower. In 2006, the Company continued to invest and total investments reached EUR 27 million. Besides its conventional TVs, the Company added digital products to its assembly lines thereby increasing its LCD and plasma TV capacity to 2.1 million sets per year in 2006. The Company is planning to add another LCD production line in 2007.

Foreign Investments

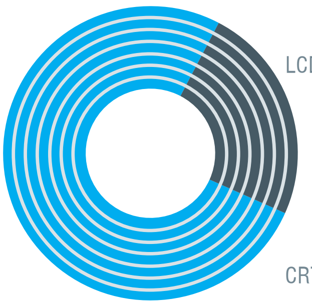
Beko Elektronik LLC
Television Plant - Russia

As part of its strategy geared towards becoming a global company and increasing its market shares, Beko Elektronik's efforts to build a factory in Russia, which started in 2005, bore fruit with the completion of the plant in the last quarter of 2006. Inaugurated in October of 2006 with a production capacity of 750,000 sets per annum, the plant is located in Russia's Vladimir region and offers an enclosed area of 10,000 m^2. The factory concentrates on the production of CRT and LCD TVs and its target is to raise its market share to over 10% in two years.

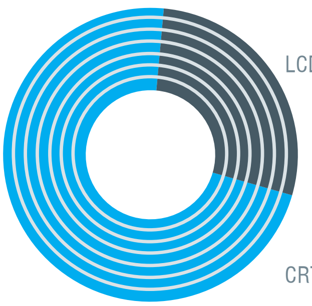
This plant is expected to contribute more than US$ 100 million to the Company's 2008 revenues, which will further improve export profitability. This high-profitability and rapid-growth investment has been implemented in Russia and the Commonwealth of Independent States, an area predicted to reach the size of the European market in the next decade. It holds the distinction of being the Company's first production-oriented investment abroad.

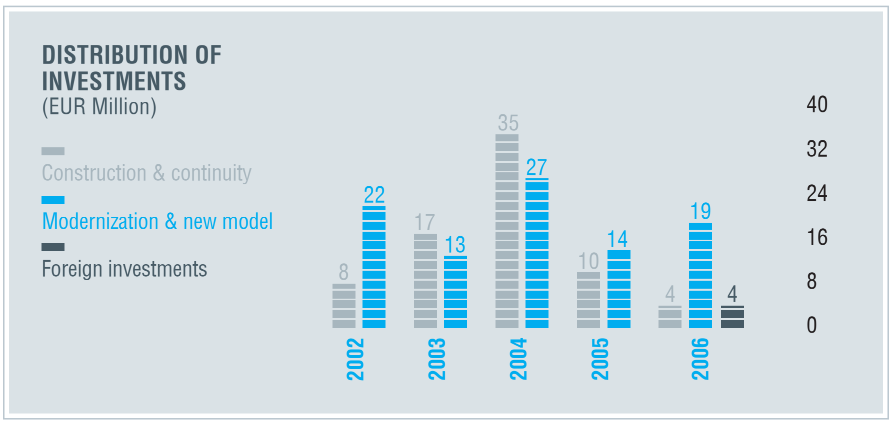
The profitable growth trend anticipated by the Company will create significant value for shareholders, business partners and employees.

2005 CAPACITY



2006 CAPACITY





STRONG R&D

Commitment to R&D manifests itself in the form of investment. Since its inception, Beko Elektronik has been closely monitoring advances in technology, improving and developing its products with its dynamic and experienced R&D team.

Beko Elektronik believes that sustainable achievement is not possible without investment in R&D. In keeping with this principle, the Company's R&D departments follow the latest advances in technology around the world, and constantly improve their knowledge through continuous education.

A dominant global trend in recent years in the area of consumer electronics is the rapid transition from analog to digital technologies. Beko Elektronik has reached a point in analog technologies where it can produce its own hardware and software. Likewise, the Company has seized the initiative to build an infrastructure of hardware and software for digital technologies, and in addition to the hardware and software used in its own products, has reached a capacity to engage in the sale of software.

Beko Elektronik's young and dynamic R&D team acts with confidence in creating unique designs, one of the Company's most important distinctions.

R&D efforts are based on the principles of quickly developing customer-focused, strategic and cost-advantageous products and promptly introducing these to the market. With these goals in mind, Beko Elektronik cooperates with leading companies in the world, thus adding value to its products.

Beko Elektronik's R&D activities take place at three centers through the highly skilled efforts of more than 180 experienced and energetic engineers.

R&D Centers are located in:

- Beylikdüzü, Istanbul
- İzmir
- Nürnberg, Germany

Through its Beylikdüzü plant, the R&D Department works in three areas: mechanics, hardware and software design. The department designs conventional TVs, LCD TVs, plasma TVs, set-top boxes, DVD recorders, HDD DVD recorders, combo TVs and conducts projects meeting customer needs and expectations.

Among the innovative products developed in 2006 are hard-disk LCD TVs (LCD PVR TV), personal video players (PMP) and wireless LCD TVs. These products were proudly exhibited at the Berlin IFA Fair. They are a positive reflection of the achievements of Turkish engineers in product development and at the same time are pioneers paving the path for future achievements. These inventive products, which bring digital technologies right into our homes and to our very fingertips, are state-of-the-art products in the world of computers and videos. All of them were developed by the Company's own proficient engineers.

Besides these high-tech products, great progress has been made in the development of the latest technology in licensable software. R&D groups at Beko Elektronik have produced MHEG software, used widely in Europe in Integrated Digital TVs, and are now working to have these products licensed abroad.

The R&D Department in İzmir specifically focuses on digital product development, hardware and software design projects.

The Company's R&D Department in Nürnberg, Germany, works on electronic analog and digital design projects.

In 2005, the Company ranked fourth in Turkey in terms of the number of patent applications, and received an award from the Turkish Patent Institute at the Patent League ceremony in 2006. Beko Elektronik is the holder of the largest number of patent applications in the Turkish consumer electronics industry. With 22 patent applications in 2006, the Company expects to place high rank this year as well. In addition, Grundig has filed three patent applications in Germany.

NEW PRODUCTS

Beko Elektronik offers products that make life colorful, vivid and enjoyable.

New-generation products launched by Beko Elektronik last year earned great acclaim, both on the part of consumers as well as the media. This success reinforced the Company's award-winning achievements abroad.

BEKO HARD-DISK-RECORDER LCD TV

The 32” (82 cm) LCD+PVR TV is the only LCD TV in Turkey equipped with a hard-disk recorder. Thanks to its integrated hard-disk, a live broadcast can be paused and watched at a later time without any loss of scenes. In addition, the TV can be set to the day and time of a specific program for recording, providing the convenience of watching one channel while recording another. With its 160 GB hard-disk enabling a high-quality recording of the broadcast, watching LCD+PVR TV maximizes the joy of TV.

GRUNDIG FULL HD LCD TV

Beko Elektronik's full HD LCD TVs offer two screen sizes-37” (94 cm) and 42” (106 cm) and have been launched in the European market under the Grundig brand. The product's marketing concept is based on the HD Evolution concept. Achieving superior color performance through dynamically changing contrast depending on the content of the TV broadcast, with its short reaction time, this product provides excellence in action shots. The Magic Fidelity sound system brings Home Theater enjoyment to LCD TVs.

DVD RECORDER

With a 160 GB hard-disk and a recording time of up to 205 hours, this product can be used to record TV broadcasts. Equipped with timeshift and timeslip features, the recorder can stop the broadcast, and rapidly scan forward and backward. This product can be used to play DVD movies, VCDs, SVCDs, MP3, Audio CDs, CD-Rs, CD-RWs, DVD+Rs, DVD+RWs, DVD-Rs and DVD-RWs, and offers the convenience of watching one channel while recording another.

AWARDS RECEIVED IN 2006

The awards Beko Elektronik received in 2006 have boosted its enthusiasm and motivation to meet challenges and work harder toward achieving its goals.

The Beko 26” L1 series LCD TV received the “Good Design” award, given annually by the Chicago Athenaeum Museum of Architecture and Design.

In December of 2005, the 37” Grundig Fine Arts TV (Grundig Fine Arts LXW 94-9650) won first place in all categories in the competition organized by the Norwegian magazine Bilde. The Fine Arts TV is a Grundig prestige product. With full HD definition, this product, in addition to the HD Evolution concept, features Motion Compensation, which ensures excellent performance in action shots.

In the June 2006 issue of Germany's leading electronics magazine, Video-Magazin, the Grundig Vision II 32 LXW 9620 Dolby model won the Test Winner Award.

A QUALITY JOURNEY

For Beko Elektronik, quality is a never-ending journey...
Believing that quality is only possible through high-caliber training, the Company makes every effort to coordinate and organize in-house training programs-providing everything that is needed to achieve excellence in production processes.

PRODUCTION QUALITY - PRODUCT QUALITY - PRODUCTIVITY

One of the basic principles of the Company is to make use of technology with an environmental awareness that does not compromise quality. Adopting strategic policies to improve both products and services, Beko Elektronik took some significant steps in 2006 in its efforts to achieve excellence in quality processes and maximize customer satisfaction, simultaneously being sensitive towards the environment and society.

In 2006, the Company has continued using the TPM (Total Productive Manufacturing/ Management) methodology in pursuit of its goals. This scheme consists of various efforts concerning productivity, cost, quality and motivation. In this regard:

- Blue-collar employees were trained in “Equipment, Processes and TPM Methodology” topics in 186 different spot training sessions. This made up an average of nine hours training for each employee.

- As part of overall improvement efforts, all production personnel participated in 672 Kaizens, bringing in net revenues of over TRY 3.7 million and potential earnings of over TRY 1.8 million. Kaizen activities in the categories of productivity, cost and quality brought significant financial gains and contributed to improving competitiveness. Other Kaizen activities in the areas of morale and occupational safety played an important role in improving the working environment and increasing motivation.

- The Beko Academy Project was launched in 2006. Aiming to provide authorized personnel with the knowledge and skills that will take them to higher levels, Beko Academy selects participants through examinations and interviews conducted by a specialized organization.

- In 2006, the Academy training process provided 60 employees with 12,718 hours of instruction in technical training, equipment, products and processes, methodology and personal development.

- In line with its decision to apply for the TPM Continuous Excellence Award in 2008, the Company began receiving consultant services from JIPM-S in 2006. Consultants visit the Company at quarterly intervals and provide information on how to reduce product costs, diminish intermediate stocks and introduce lean manufacturing, all within the context of Part II.

Since its inception, the Company's basic policy has been “Full-scale Refinement and Continuous Development.” The essence of this basic philosophy is to enlist all employees in planning and developing products and services to the highest degree of excellence and in a manner that will meet the demands and expectations of customers. Furthermore, it requires the manufacturing of these products at the zero error level and placing them on the market in the shortest time possible. In establishing long-term and successful relationships with its customers, quality and reliability are indispensable at Beko Elektronik.

All activities of the Company are subject to the quality management systems designed in accordance with ISO-9001:2000 standards. This certificate is maintained through regular inspections and assessments.

Beko Elektronik is committed to the highest quality, reliability and conformity of its products and services, as well as to full customer satisfaction. This tenet is supported by both management and employees.

All management systems applicable to the industry are in place and are certified through the inspections of independent local and international auditing organizations. These bodies perform regular interim audits, sustaining and ensuring the continuity of the system and the relevant certificates.

QUALITY MILESTONES

Awards that Crown our Success

1983
- Initiation of Quality Circles training and practices

1989
- Beginning of work on ISO 9001

1991
- ISO 9001 Quality Management Systems Certificate - SGS Yarsley
- AQAP-110 Industrial Quality Assurance Certificate - Ministry of Defense

1992
- ISO 9001 Quality Management Systems Certificate - TSE (Turkish Standards Institute)

1993
- Launching of Koç Total Quality Processes
- Beginning of work on BS 7750 Environmental Management System

1994
- SGS Yarsley - BS 7750 Environmental Management Systems Certificate and Green Dove Award-first company in Turkey to receive this award, and first in the world in its own industry

1995
- TSE-ISO 14001 Environmental Management Systems Certificate-first company in Turkey to receive this certificate
- Launching of International Quality Assurance Project

1997
- Converting the SGS Yarsley BS 7750 Certificate to an ISO 14001 Certificate
- Start of the TPM process

1999
- TÜSİAD-KalDer Quality Achievement Award
- Istanbul Chamber of Industry Grand Award for Environment
- Beginning of work on Occupational Health and Safety (OHS) Management Systems Standard, Formulating OHS policies (OHSAS 18001)

2001
- ISO 9000:2000 Quality Management Systems Certificate - SGS Yarsley
- ISO 9000:2000 Quality Management Systems Certificate - TSE
- AQAP-110 Industrial Quality Assurance Certificate - Ministry of Defense
- TPM Excellence Award

2003
- OHSAS 18001 Occupational Health and Safety Systems Certificate - SGS Yarsley
- OHSAS 18001 Occupational Health and Safety Systems Certificate - TSE

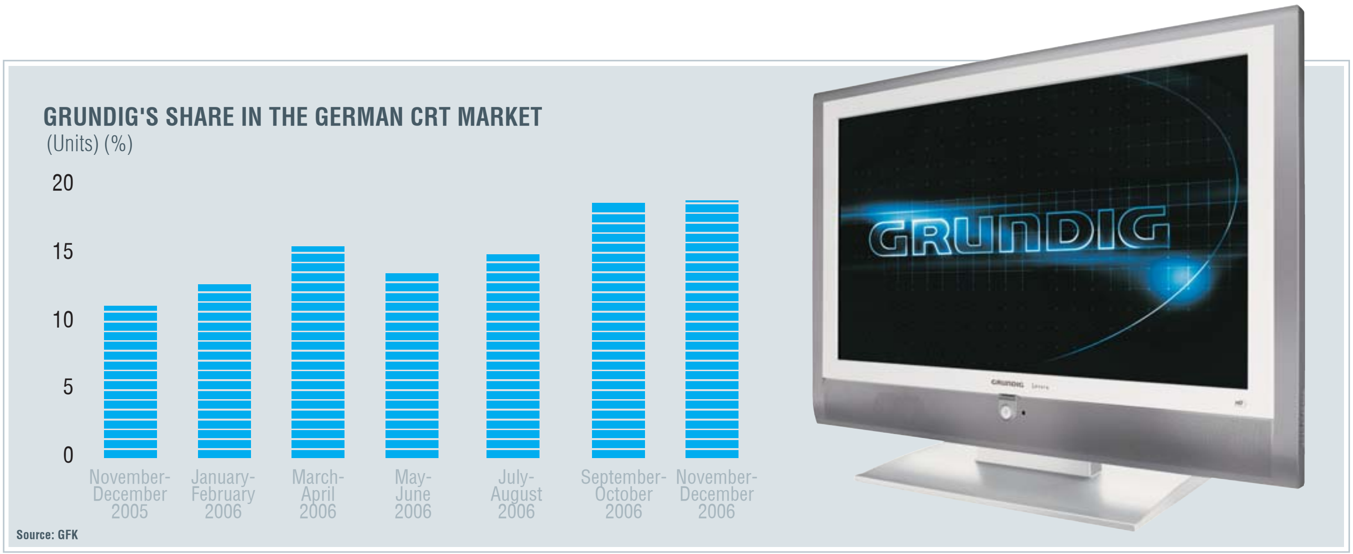
2004
- SA8000 Social Responsibility System and Certificate - SGS Yarsley

2005
- BS7799 Information Security Management System and Certificate - SGS Yarsley
- BRC (British Retail Consortium) Standard and Certificate
- Red Dot Design Award
- What HI-FI Sound and Vision Award

2006
- Initiation of ROHS process
- Sony Green Partner
- Award for being Turkey's fastest growing IT company-Interpro
- Patent League, 4th place - Turkish Patent Institute
- Good Design Award

GRUNDIG

Grundig is now the biggest brand in the CRT market in Germany, Europe's most sizable market. It is the third largest TV brand in the entire television market in terms of unit sales.



The main strength of Beko Elektronik's growth strategy is the repositioning of the already well-known Grundig brand, first of all in Europe and then around the world, and making it a global brand in the consumer electronics industry. By acquiring 50% of the Company's shares along with the English partner Alba Plc, the partnership's new marketing, brand positioning and distribution strategies started in 2004 have increased the Company's share in the German market from 4.7% in May, 2004 to around 19% in December, 2006. Grundig is now the biggest brand in the CRT market in Germany, Europe's most sizable market. It is the third largest TV brand in the entire television market in terms of unit sales, a major source of pride for Beko Elektronik.

Like many other world-famous companies in the consumer electronics industry, Grundig was also affected by the transition from analog to digital technologies in recent years. In the face of these major changes the Company intensified its reorganization efforts in order to improve its performance and took on several new upgrading projects.

After taking over the Grundig brand, a well-known name all over Europe, Beko Elektronik added the Czech Republic and Slovakia to its portfolio, thereby building on its growth strategies. ISG Intermedia GmbH, which was in charge of after-sales services, merged with Grundig to improve productivity and reduce operational costs.

With its “Made for you” slogan, Grundig emphasizes its favorable price-performance ratio, targeting the middle and higher segments to position the brand.

Grundig's target is to be a company that derives its strength not only from production but also from research and development. Identifying obstacles to the development of its products and production processes, the Company adopts appropriate improvements and works to rapidly incorporate the latest advances in technology into its processes. In this regard, and in an effort to increase productivity and profitability, the Company has started to work on developing a new chassis to replace the present Digi 100 chassis. The project, known as the “Digi 200 chassis” program, has been designed to support high-definition products. In coordination with Beko Elektronik, production started in December. With the Digi 200 project, Grundig seeks to carve out a position in the market that outperforms its competitors, as well as to strengthen its brand value. With a view to increasing its operational profitability and productivity, consulting services were secured from a large international consulting firm to launch the project “Grundig Plus.” With this endeavor, Grundig plans to combine a suitable product range with appropriate management strategies in such a way as to establish and sustain a steadily growing strategic edge in the market, and create a niche for itself in the middle and higher segments of the industry.

“SINCE THEY ARE THE REAL SOURCE OF THE COMPANY'S CURRENT SUCCESS, BEKO ELEKTRONİK ADOPTS THE PRINCIPLE OF OFFERING THE BEST OPPORTUNITIES TO ITS EMPLOYEES AND NURTURING A SENSE OF TRUST IN THEM.”

EMPLOYEES, SOCIAL AWARENESS AND THE ENVIRONMENT

All employees who have contributed to the success of the Company are members of the Beko Elektronik family. In 2006, the consolidated average number of employees was 3,904. Of these, 973 were white-collar employees and 2,931 were blue-collar.

The Company implements the collective agreement signed between MESS (the Turkish Metal Industry Union) and the Turkish Metal Workers Union on October 20, 2006. This agreement will be in force from September 1, 2006 to August 31, 2008.

Several social opportunities are available on the campus to better serve all employees. The following services handle the employees' daily needs and serve to boost motivation: the Healthcare Services unit (where tests and laboratory work is undertaken), the Dentistry Unit (where employees can have dental work done during working hours), the nursery school (with its capacity for 70 children), and the shopping center, complete with a cafeteria, restaurant, women's and men's hairdressers, florist, jewelry, tailor, dry cleaning and shoe polishing shops.

Fully committed to the health and security of its employees, Beko Elektronik is the first company in the industry to receive an OHSAS 18001 Occupational Health and Safety Management Systems Certificate from the Turkish Standards Institute and SGS Yarsley. Conducting its occupational health and safety operations in accordance with a “zero accident” target for years, the Company has been certified by two organizations. Beko Elektronik has also put in place the organizational structure required by the SA8000 Social Responsibility Standard and has obtained an SA8000 Corporate Social Responsibility Certificate from SGS Yarsley.

SOCIAL RESPONSIBILITY POLICY

In order to meet its social responsibilities to its employees, stakeholders and the general public, Beko Elektronik undertakes to:

- maintain the social responsibility system it has created and work toward its continuous improvement;
- comply with the requirements of the SA8000 standard, and all relevant national and international laws and regulations;
- refrain from forcing persons to work and supporting any form of oppressive policies or disciplinary measures;
- refuse to employ or support child labor;
- ensure the health and safety of all employees;
- support the continuous development of training efforts;
- carefully keep all relevant records;
- disclose and provide access to all documented information concerning the Social Responsibility System upon the request of interested parties (including the general public).

Beko Elektronik employees join hands “For My Country”

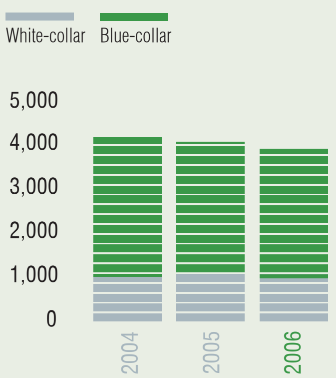
As part of the Koç Group's “For My Country Day” campaign, Beko Elektronik employees joined the initiative and made donations towards the technical, health-related and educational needs of the Society for the Protection of Children in the Istanbul district of Bahçelievler.

Donations by Beko Elektronik employees to the Bahçelievler Society for the Protection of Children, a complex hosting two nursery schools and a girls' school, include technological contributions such as computers, televisions and DVDs, as well as personal items.

Walmart Green Assessment

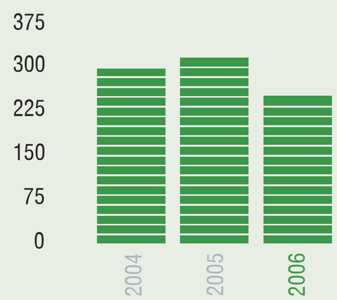
At the end of an audit on July 19, Beko Elektronik received the Walmart Green Assessment certificate. This audit evaluated the Company for aspects such as working life, compliance with the law, occupational health and safety. The Green Assessment certificate received at the end of this evaluation is an indication that the Company satisfies the criteria defined by Walmart. The Company had previously been awarded two Orange Assessment Certificates, and now with its Green Assessment it will be exempt from Walmart audits for the next two years. Beko Elektronik is the first and only industrial company in Turkey to receive a Green Assessment Certificate.

AVERAGE NUMBER OF EMPLOYEES



SALES PER EMPLOYEE

(EUR thousand)



EMPLOYEES, SOCIAL AWARENESS AND THE ENVIRONMENT

Integrating environmental awareness into its corporate culture is both a social and a national responsibility for Beko Elektronik. The Company has always supported nature-friendly production processes and acts responsibly in waste management.

ENVIRONMENT, OCCUPATIONAL HEALTH and SAFETY POLICY

Beko Elektronik has always been dedicated to being a company with a high sense of responsibility towards the environment and concerning occupational health and safety. The Company will continue its efforts to achieve the following targets in its investments and in the development and packaging of its products:

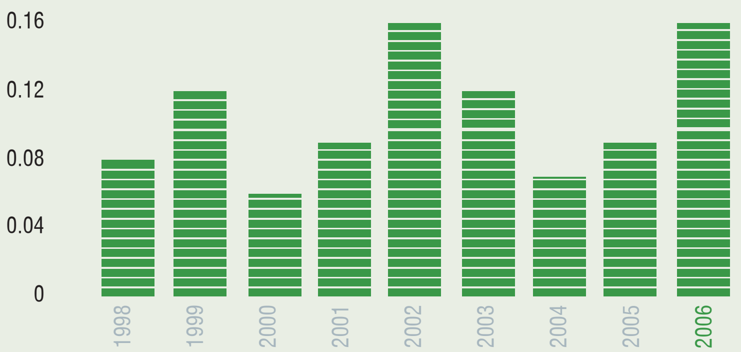
- to use methods that reduce the consumption of natural resources and increase recycling and recovery rates;
- to achieve the basic goal of “zero accidents” and minimize waste discharged into the air, earth or water;
- to choose safe and environment-friendly operations instead of processes that damage the environment and human health;
- to closely monitor and adhere to all relevant environment, healthcare and labor laws, by-laws and regulations;
- to encourage suppliers to act responsibly in matters related to the environment and occupational health and safety;
- to raise employees' awareness concerning the environment and occupational health and safety;
- to protect the health and safety of all employees and contractors, as well as visitors to the factory;
- to minimize risks presented by machinery, tools, instruments, workbenches, transport activities and auxiliary production tools;
- to minimize potential risks arising from working conditions, to plan healthcare activities and to create healthy working conditions;
- to continually review practices and activities concerning the environment and occupational health and safety, and to plan improvements and launch new activities accordingly.

WASTE RECOVERY PER TV BY YEARS

Waste (kg) / TV

HAZARDOUS WASTE ELIMINATED PER TV BY YEARS

Waste (kg) / TV



Waste Management

Environmental awareness has been a part of Beko Elektronik's corporate culture from the very beginning. The Company employees have been trained to use technologies that raise living standards and to refrain from using careless and destructive methods which damage the environment. Beko Elektronik considers the protection of the environment and natural resources as an integral part of its overall quality philosophy and acts accordingly. In this regard, the waste created during production is recycled, and any non-recyclable waste is destroyed in accordance with all applicable regulations.

Reducing Solid Waste and Raw Material Consumption

In accordance with its environmental policy, the Company built a recycling plant in 1999 for the recovery of styrofoam and has started to recycle 12% of this waste for use as a raw material.

Environment-Friendly Design

Companies involved in large-scale manufacturing play a major role in the rapid consumption of natural resources and the disruption of nature's equilibrium. Believing in the value of environment-friendly production, Beko Elektronik fosters the same awareness in its employees. Holding fast to the tenet of manufacturing without damaging the environment, the Company complies with strict environmental criteria in its design efforts. Endeavors in this regard include the following:

• Recyclable materials are preferred in mechanical designs. Plastic parts are produced with minimum raw material and design modifications help reduce weight.

• Electronic designs conform to criteria such as Electronic Compatibility Control (EMC) and the reduction of stand-by power consumption. Considering that the Company manufactures approximately five million CRT TVs per annum, and that each TV is used for an average of ten years, and that every TV remains in stand-by mode for an average of six hours per day, it is calculated that a 0.8 W reduction in stand-by power per year would save 87,600 MW/h of energy.

GREEN PARTNER

In 2004, before starting its manufacture of Sony products, Beko Elektronik became Sony's Green Partner, a certificate that was renewed in March of 2006.

This certification involved efforts to meet basic requirements in various processes-from design to choice of materials, and from manufacturing procedures to stocks. Standards were checked, and training, internal auditing, remedial activities and follow-ups were reviewed. A system for monitoring materials was set up and an XRF accuracy check was performed with Sony for XRF Entry Quality measurements. All the requirements of the standard were met in the short span of three months. Every product is manufactured in accordance with Sony's SS-00259 “Management Regulations for Environment-Related Substances to be Controlled,” and possesses the environment-friendly characteristics of an eco-product.

Lead-Free Production

Beko Elektronik is the first company in its sector in Turkey to introduce lead-free production.

The Company, Europe's second largest TV manufacturer, breaks new ground: It becomes the first Turkish company to introduce lead-free production processes for the products it sells in the domestic market. These processes are obligatory in the European Union in accordance with the RoHS (Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment) Directive.

Beko Elektronik breaks ground in Turkey by implementing production processes that comply with the RoHS requirements. The company introduced this standard in January 2006, for the products sold in both domestic and international markets.

Beko Elektronik is the first company in its sector to introduce lead-free production, not only for products sold in European countries where this standard is obligatory, but also for products sold in the Turkish market.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. Corporate Governance Principles Compliance Statement

The implementation of the corporate governance principles that were announced in July of 2003 following adoption by the Capital Markets Board (CMB) in its decision of July 4, 2003 (No. 35/835) is of great importance in terms of credibility and financing opportunities, particularly for companies whose shares are publicly traded. These principles, which pertain to the quality of corporate governance, have been adopted by our Company and are strictly implemented.

According to decision No. 48/1588 of the CMB, adopted on December 10, 2004, companies whose shares are traded on the Istanbul Stock Exchange (ISE) are required to issue a statement regarding their compliance with corporate governance principles in their annual reports and on their websites beginning with their 2004 annual reports. Consequently, Beko Elektronik has added the following information to its 2006 Annual Report concerning its compliance with the following principles likewise 2004 and 2005 Annual Reports. The CMB updated its “Capital Markets Board Corporate Governance Principles” in accordance with the “OECD Corporate Governance Principles” which were published in 1999 and revised in 2004. Beko Elektronik's 2006 Corporate Governance Report was prepared according to the new principles.

SECTION I - SHAREHOLDERS

2. Investor Relations Department

The Investor Relations Desk that is part of the Company's Finance Department handles relations with shareholders and potential investors. The Company's main objective is to ensure that shareholders can fully exercise their right to access information. The main efforts in this regard are:

- to respond to written requests for information about the Company and provide all information with the exception of information that cannot be disclosed to the public, is confidential or is a trade secret;
- to ensure that records on shareholders are kept and updated accurately and securely;
- to ensure that the General Meeting of shareholders is conducted in accordance with all applicable legislation and the Articles of Association of the Company;
- to prepare General Meeting documents that would be useful to shareholders, to record voting results and to ensure that a report of the proceedings is duly sent to shareholders upon request;
- to promote the Company to individual and corporate investors in and out of the country;
- to provide information to analysts evaluating the Company;
- to make the necessary material disclosures to the ISE and the CMB, in line with the CMB's Communiqué No. 39, Series VIII;
- to provide information to investors at conferences organized by various organizations abroad;

to follow changes in capital markets legislation, and to alert all relevant Company departments to such changes.

Employees in charge of investor relations:

C. Ş. Oğuzhan Öztürk
General Manager
oguzhan.ozturk@beko.com.tr
+90 212 872 13 00

M. Ömür Özüpek
Finance Manager
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+90 212 872 12 83

Deniz K. Durgun
Finance Specialist
deniz.durgun@beko.com.tr

Demet Yılmaz
Finance Department Member
demet.yilmaz@beko.com.tr

Fax: +90 212 872 12 98

3. The Use of Shareholders Right to Obtain Information

In 2006, approximately 100 brokerage houses, funds and individual investors applied to the Company for information. Work on the “Public Announcement Project” has been completed. This project will provide information to shareholders in a secure and rapid manner. In addition to the financial statements available on the Company's website, various types of information which can assist the exercise of shareholder's rights have been updated and made available.

The Company has become a member of the Central Registry Agency that was established to monitor dematerialized securities. The dematerialization of Company shares traded on the ISE has been completed, eliminating share certificates. In addition, an agreement was signed with Yapı Kredi Securities (formerly Koç Securities) to complete shareholder formalities at the Central Registry Agency. All Yapı Kredi (formerly Koçbank) branches were available for dividend distribution, capital increase and account opening formalities.

The Company is regularly audited by independent external auditors and by auditors elected at the General Meeting of shareholders. No provision exists in the Company's Articles of Association that requires the appointment of a special auditor and no request has been made during the reporting period regarding the appointment of such an officer.

4. Information on Shareholders’ Meeting

The General Meeting of shareholders was held on April 5, 2006 at the Istanbul Divan Hotel to discuss 2005 results. As stated in the list of attendants, the majority of shareholders were present at the meeting, which was also attended by various individual shareholders and media members.

- The date, venue and agenda of the General Meeting was published in two national newspapers and in the Commercial Registration Gazette, and announced to the public through material disclosures.

- Starting on the date shareholders were invited to the General Meeting, the Annual Report for 2006, financial statements, the Agenda for the General Meeting, changes made to the Articles of Association and its most recent text were made available to shareholders at the headquarters and on the Company's website, thus providing convenient access to information about the Company.
- Forms of proxy statements are available inside the General Meeting announcement folder and on the Company's website.
- No request for any additions to the General Meeting Agenda was made by shareholders in 2006.

The Company's 2006 Annual Report was made available to shareholders at the Company headquarters 15 days before the General Meeting. The Company's General Meeting of shareholders was held on April 5, 2006 to discuss 2005 operations, and a date, April 3, 2007, was decided upon for the General Meeting that will discuss 2006 operations. Invitations to the General Meeting are made according to the provisions of the Turkish Commercial Code (TCC), the Capital Markets Law and the Articles of Association of the Company. The decision of the Board of Directors concerning the calling of a General Meeting of shareholders is announced to the public through disclosures made to the ISE and the CMB. In accordance with the Company's Articles of Association, the Board of Directors has been authorized by the General Meeting of shareholders to make decisions on major asset purchases and leases.
The Minutes of the General Meeting will be accessible on the Company's website at www.bekoelektronik.com.tr and also at the headquarters.
General Meetings are held in the least costly and simplest possible manner to prevent discrimination among shareholders. Furthermore, all General Meeting documents and agendas that may be needed by foreign shareholders are translated into English and made available to shareholders through clearance and custody banks in Turkey.
All shareholders holding an entry card are eligible to submit an opinion about the Company's operations and request information from Company management. Management responds to all such requests. The votes of shareholders on items on the Agenda of the General Meeting are recorded in the Minutes. Each agenda item is voted on separately. The General Meeting convenes under the surveillance of a government representative from the Ministry of Industry and Trade.

5. Voting Rights and Minority Rights

Voting procedures at the General Meetings of shareholders are announced to shareholders at the start of the meeting and shareholders are offered every voting convenience. The Company's Articles of Association do not contain any privileges with regard to the exercise of voting rights. There are no affiliated legal entities among shareholders. Minority shares can be represented at the General Meeting either directly or by proxy. The Articles of Association do not contain any provisions for cumulative voting.

6. Dividend Policy and Deadline for Dividend Distribution

The Company has adopted a consistent dividend policy that complies with the corporate governance principles and balances the interests of shareholders and the Company. An effort is made to ensure that, regulations and investment needs permitting the average dividend presented for approval at the General Meeting by the Board of Directors is not less than 50% of the Company's annual distributable earnings. The distribution of profit may be, in accordance with CMB communiqués, in the form of cash or by capitalization issue. The Company's Articles of Association do not contain any privileges with regard to shares in Company profit.

The Articles of Association contain provision for advance distribution of dividends.

7. Transfer of Shares

The Articles of Association do not contain provision that restrict the transfer of shares by shareholders.

SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company Information Disclosure Policy

The Company makes material disclosures in accordance with Communiqué No. 39, Series VIII, of the CMB. Developments that may have an impact on the Company's securities are announced to the public within the specified timeframe. Further developments are subsequently updated and disclosed to the public. The Company's Board of Directors, management, managers of foreign subsidiaries, and information about appointments and departures are listed below:

BOARD OF DIRECTORS 2006

Rahmi M. Koç
Chairman of the Board

Dr. Bülent Bulgurlu*
Vice-Chairman

Aydın İ. Çubukçu*
Board Member

Temel K. Atay
Board Member

İ. Tamer Haşimoğlu
Board Member

Nevzat Tüfekçioğlu
Board Member

A. Gündüz Özdemir**
Board Member

Members of the Audit Board

Mert Ş. Bayram
Abdülkadir Kahraman

* Dr. Bülent Bulgurlu and Aydın İ. Çubukçu are also members of the Audit Committee.
** A. Gündüz Özdemir was appointed, on January 4, 2007 and in accordance with Article 315 of the TCC, to the Board membership vacated due to Yağız Eyüboğlu's resignation. This appointment will be approved at the next General Meeting of shareholders.

In accordance with the Articles of Association, Board Members are elected annually at the ordinary General Meeting of shareholders. In this context, all Board Members have been elected for one term, effective April 5, 2006.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Management 2006 (December 31, 2006)

Cemal Şeref Oğuzhan Öztürk*
General Manager

A. Ercan Şenolur
Assistant General Manager, Production

Dr. Tibet Mimaroğlu
Assistant General Manager, R&D

Management of Subsidiaries Abroad (December 31, 2006)

Tevfik Adnan Tüfekçi*
General Manager - Beko Elektronik LLC

Hans-Peter Haase*
General Manager - Grundig Multimedia B.V.

***Appointments 2006**

General Manager - Cemal Şeref Oğuzhan Öztürk (appointed on October 20, 2006)

General Manager - Tevfik Adnan Tüfekçi (appointed on December 1, 2006)

General Manager - Hans-Peter Haase (appointed on August 4, 2006)

Resignations 2006

General Manager - Yağız Eyüboğlu (appointed Vice President of the Foreign Trade and Tourism Group, Koç Holding)

Assistant General Manager, Chief Finance Officer - Tamer Soyupak (appointed Assistant General Manager, Chief Finance Officer at Tat Konserve Sanayii A.Ş. on November 7, 2006)

Assistant General Manager, Sales and Marketing - Erem Demircan (left the Company on October 20, 2006)

Purchasing Director - Sadık Hakan Kayabaşı (left the Company on May 26, 2006)

Beko Elektronik LLC General Manager - Ümit Baştuğ (left the Company on December 1, 2006)

Grundig Multimedia B.V. General Manager - Hubert Roth (left the Company on August 4, 2006)

9. Disclosure of Material Events

The Company made fourteen material disclosures in 2006. No further information was requested by the CMB or the ISE concerning these disclosures. Since the material disclosures were made within the legally specified timeframes, no sanctions were imposed by the CMB.

10. Company's Website and its Contents

In order to offer investors faster and more effective service, the Company's official website at www.bekoelektronik.com.tr provides information, in both Turkish and English, as specified in the CMB's Corporate Governance Principles, Section II, Article 1.11.5.

The website contains the following information:

- Commercial registration information
- Shareholding structure
- Board Members
- Articles of Association
- Annual Reports of the last four years
- Material disclosures
- Report on compliance with corporate governance principles
- List of attendants at the General Meeting and Minutes of the Meetings

Agenda of the General Meeting of shareholders

The preparation and maintenance of the "Investor Relations" section of the website is the responsibility of the Investor Relations Department. Continuous efforts are made to make the website more effective.

11. Disclosure of the Company's Ultimate Controlling Individual Shareholder / Shareholders (Beneficial Ownership)

Natural persons who are ultimate controlling shareholders have been publicly disclosed after eliminating any indirect shareholding and cross-shareholding relationships. This information is also available in the explanations sent to the CMB for capital increases in 2004 and earlier. These explanations are available at the Company's headquarters and on the website.

12. Disclosure on Insiders

In maintaining the balance between transparency and protecting Company interests, great care is given to raising employees' awareness about the use of insider information. No Beko Elektronik employee may use insider information to deal in Beko Elektronik shares or the shares of any other Koç Group company.

Senior managers who are in a position to acquire information that might affect the value of the Company's securities are required to make a disclosure to the public if at any time they engage in the trade of any such instruments issued by the Company.

Senior managers who are listed in the Annual Report as representatives of the Company and are in a position to obtain insider information are registered with the Commercial Registry, and Board decisions in this regard are publicly disclosed in material disclosures sent to the ISE and the CMB.

SECTION III - STAKEHOLDERS

13. Informing Stakeholders

The term "stakeholder" is used to indicate third parties who have a direct relationship with the Company. Stakeholders are invited to meetings or informed by using telecommunication channels. Beko Elektronik believes that cooperating with stakeholders would serve its long-term interests. The Company respects and protects the rights of stakeholders under applicable legislation and related agreements and contracts. The investor relations desk deals with the questions and problems of all stakeholders, aiming to create solutions as quickly as possible. Disclosures to the public are made in a transparent, rapid and detailed manner within the framework of capital markets legislation.

Relationships with employees subject to a collective agreement are managed through contacts with union representatives. The Company is a member of the Turkish Metal Industry Union (MESS) and its blue-collar workers are members of the Turkish Metal Union (TMU). MESS and TMU signed a draft collective agreement in October of 2006 for the period from September 1, 2006 to August 31, 2008.

14. Participation of the Stakeholders in the Management

The Company has created mechanisms and working models that support the participation in Company management of employees and other stakeholders. Feedback and recommendations from stakeholders are fed into decision-making mechanisms in a manner that would prevent disruptions to Company operations.

Decisions on changes in working conditions, the working environment and workers' compensation are made jointly, after obtaining the opinion and approval of the labor union.

15. Human Resources Policy

As it moves towards its vision, the Company adopts the principle that "Our most important asset is our people." The mission of the Company with regard to human resources is to find effective ways of motivating employees, guiding them with shared values and work ethics. The Company's human resources (HR) policy is in line with its business strategies. The main principles of this policy are as follows:

- There is a balance of global and local elements in the Company's HR systems and practices. As an international company, we respect local laws, practices and needs. Whenever HR policies and practices conflict with local laws, it is always the laws of the country in question that are taken into consideration.
- All elements of the Company's HR policy conform to Beko Elektronik business strategies.
- All HR processes and practices should comply with and support human rights. Human rights require a policy of no discrimination and the promotion of equal opportunities for all. Beko Elektronik does not discriminate in any way in terms of ethnic background, race, nationality, disability, political orientation, religious belief, age, gender or sexual preference.
- The basic tenets of the Company's HR practices are fairness, consistency and reliability.
- In order to continuously improve HR standards, HR processes are systematically and regularly reviewed and then reformulated according to the latest developments and feedback.
- The Company protects the confidentiality of personal information.

In light of these principles, the Company's human resources practices are based on the following goals:

- Efforts regarding collective agreements are managed through contacts with union representatives who are authorized to represent workers according to the Trade Union Law. In this regard, the Company's goal is to ensure sustained cooperation and unity between the worker and the employer, and to find solutions to problems that may arise within the context of the law and the collective agreement.
- The Company provides the best possible conditions for its employees, a working environment that ensures security and productivity. The Company is committed to complying with all legal standards and regulations.
- Beko Elektronik's goal in the hiring and placement processes is to meet the current and future business needs of the Company. With this in mind, it tries to create job opportunities, which will provide mutual benefit to both the employees and the Company. It provides equal opportunities in the hiring and placement processes to all candidates who possess the necessary qualifications in terms of education, knowledge, skills, competence and experience.
- The Company's training and personal development efforts aim at promoting continuous development and supporting individual performance. The Company formulates training policies and organizes equipping programs for employees geared at increasing their knowledge, skills and experience.
- Beko Elektronik believes that individual achievement is at the very core of organizational accomplishment. In this regard, the Company makes use of various development management systems to improve employee performance in line with Company goals.
- Beko Elektronik's salary management philosophy is to determine a fair and competitive employment policy that complies with the law.
- In order to encourage critical behavior that will ensure the best practices and provide motivation, loyalty and productivity, the Company acknowledges every achievement, innovation and recommendation, and provides recognition to its employees.

16. Information on Relations with the Clients and Suppliers

Marketing activities, sales and after-sales services related to all products are managed within the context of total quality and aim for a "zero defects" standard. Excellence in customer satisfaction is also a primary goal. Project teams created in various departments are trained to solve customer problems during the production process, saving time in resolving issues and preventing possible mistakes. The Company takes the utmost care to protect the confidentiality of all information related to its customers and suppliers that are of the nature of a trade secret.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

17. Social Responsibility

The Company is sensitive to social responsibility issues. Policies have been adopted that make production processes and technologies possible with absolutely no damage to the environment. The Company publicly discloses its policies about the environment, the consumer and public health, as well as its compliance with the rules of ethics. Information to this effect is also made available on the website. Engaging in environmental improvement efforts in and around the region where it operates, forming close ties within the region and organizing social events are all examples of the Company's efforts to meet its social responsibility.

SECTION IV - BOARD OF DIRECTORS

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

The seven-member Board of Directors of the Company is composed of a Chairman, a Vice-Chairman and five Members. The Articles of Association of the Company stipulate that the General Manager may be elected to the Board of Directors. Following the General Meeting of shareholders where Board Members are elected, a Chairman and a Vice-Chairman are appointed by means of a decision on the division of responsibilities. Should any position on the Board of Directors become vacant during any term of office, the provisions of Article 315 of the Turkish Commercial Code apply. Beko Elektronik Chairman Rahmi M. Koç is a major shareholder of the Company and the Group. The president of Koç Holding's “Durable Consumer Goods and Construction Group” is Vice Chairman of the Board. The other Board Members are still working or have worked at the Koç Group and/or are shareholders of the Company.

Approval by the General Meeting of shareholders is obtained in accordance with Articles 334 and 335 of the Turkish Commercial Code whenever the Chairman or Board Members engage, personally or on behalf of others, in businesses related to the Company's area of activity and when they wish to be shareholders in other companies that engage in similar businesses.

19. Qualifications of Board Members

Board Members possess the qualifications specified in Section 4, Articles 3.1.1, 3.1.2, and 3.1.3 of the CMB's Corporate Governance Principles. As required by the Articles of Association, Board Members are all university graduates and have had many years of experience in the public or private sector. They are competent executives who are specialists in the activities of the industry.

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

The Company shares its vision, mission, values and strategies with the public through its Annual Reports, the website at www.bekoelektronik.com.tr, and by means of meetings, announcements and other communication tools. The vision and mission of the Company are formulated by senior management as an outcome of strategy meetings and internal communications in which Company employees participate. The strategies and goals determined in this way are ultimately evaluated by the Board of Directors.

The goals are periodically compared against predetermined performance criteria. Meetings for this purpose are held at intervals specified in the Articles of Association.

21. Internal Control and Risk Management Mechanism

The Company has set up a risk management department and an internal audit department. Risk and internal audit reports are submitted to senior management. In addition, regular assessments are made to measure the effectiveness of the internal audit department in terms of risk control.

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

The powers and responsibilities of the Company's Board Members and executive managers are clearly set out in the Articles of Association and in the list of authorized signatures. As required by law, these documents have been submitted to the relevant authorities and also appear on the Company website.

23. Principles of Activity of the Board of Directors

The Board of Directors sets its agenda for Board meetings in accordance with the proposals presented to the Board and the Company's executive management by the various departments in matters that require a Board decision according to the Articles of Association. Other than such matters, any Board Member may inform the executive management of the need for a decision on a specific subject, and in this case the matter may be added to the agenda. The Board of Directors makes decisions as the Company's business requires, and in accordance with the quorums specified in the Articles of Association.

All views can be voiced at Board meetings and all contributions are officially recorded. Minutes of meetings are distributed to all units and persons concerned. Opposing opinions and votes are also entered into the minutes.

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

Board Members are not involved in any business transaction or competition with the Company.

25. Ethical Rules

Beko Elektronik seeks to be a symbol of reliability and trust and acts in accordance with this goal in its relations with all business partners, dealers, industrial associates and customers. Within the structure it has created with its employees, partners, dealers and subsidiaries, Beko Elektronik acts in accordance with its social responsibilities to the community, environment, its customers and business associates. It is these responsibilities that form the backbone of the Company's basic rules of ethical conduct.

The “Beko Elektronik Code of Business Conduct” is an integral part of the daily business life at the Company. This document discusses the following issues:

- Aiming to prevent general conflicts of interest, Beko Elektronik has defined the behavior expected of its employees in matters such as business conducted outside the Company, gifts and invitations, the business activities of relatives, and employment at suppliers.
- In their efforts to achieve the Company's targets and strategies, employees act in full awareness of Beko Elektronik's corporate values and principles of business conduct in collecting information about competitors as part of their jobs.
- Beko Elektronik considers the protection of trade secrets an integral part of its future success and its efforts to provide job security for its employees.
- Beko Elektronik respects intellectual property rights and Beko employees meet all legal obligations when using any written works or inventions that belong to others. No book or other intellectual work may be used at Beko Elektronik without payment of copyright fees.
- Beko Elektronik is committed to compliance with all laws and regulations concerning security, health and the environment.
- Internal audits are performed to compare the Company's actual status against policies and procedures, and to ensure that all operations are conducted as required.
- The Beko Elektronik code of conduct requires consideration of the rights of others, abstinence from alcohol or narcotics at the workplace and during working hours, ensuring the security of the workplace, creating a peaceful working environment, promoting equality and the absence of discrimination.

Guidelines defining business conduct have been prepared to serve as a source of information whenever an employee considers how to behave in any particular situation. An employee who does not comply with the Beko Elektronik Code of Business Conduct is accountable for any misconduct and may face disciplinary action.

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

An “Audit Committee” has been set up to ensure that the Board's duties and responsibilities are duly fulfilled. In 2006, Dr. Bülent Bulgurlu and Aydın İ. Çubukçu were elected to the Audit Committee by the Board of Directors. The Audit Committee works regularly and in accordance with the format specified in the Capital Markets Law and within the framework of the CMB's Corporate Governance Principles. The Committee's duties include evaluating the Company's financial statements and performance. It meets every three months and presents a report of its investigations to the Board. There are no other committees within the Board of Directors.

27. Remuneration of the Board of Directors

The financial benefits to be offered to Board Members are decided at the General Meeting of shareholders. The General Meeting of April 8, 2005 decided that Board Members would receive compensation for their services. Other than the advance payments made in accordance with the Company's business procedures, no loans are paid to Board Members and executives. Guarantees such as sureties in favor of these persons are also prohibited.

AGENDA

BEKO ELEKTRONİK A.Ş.
ORDINARY GENERAL MEETING OF SHAREHOLDERS
APRIL 3, 2007
MEETING AGENDA

1 Opening remarks and election of the meeting board.

2 Reading and discussion of the reports of the Board of Directors, Board of Auditors and the independent auditing firm Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) on the activities and accounts for the year 2006; acceptance or rejection of the proposal of the Board of Directors with respect to the balance sheet and income statement for 2006.

3 Approval of the changes made during the year in Board memberships, in accordance with Article 315 of the Turkish Commercial Code.

4 Release from liability of the members of the Board of Directors and the Board of Auditors with regard to the Company's accounts and operations in 2006.

5 Determining the number of members who will be serving on the Board of Directors until the next ordinary General Meeting of shareholders, where the accounts and operations of 2007 will be examined; election of new members.

6 Reelection or change of auditors who will be serving until the next ordinary General Meeting of shareholders, where the accounts and operations of 2007 will be examined.

7 Determining the amount of compensation to be paid to the Chairman and members of the Board of Directors and the Board of Auditors.

8 As required by the communiqué published by the Capital Markets Board on Independent Auditing Standards, approval of the independent auditing firm that has been appointed to examine operations and accounts in 2007.

9 In accordance with Articles 334 and 335 of the Turkish Commercial Code, authorizing Board Members to work in the same area of activity as the Company, on behalf of themselves or others, and to be a partner of other companies and engage in other operations in the same area of activity.

10 Authorizing the Meeting Board to sign the minutes of the General Meeting and conclude the meeting.

11 Other requests.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006 TOGETHER WITH AUDITOR'S REPORT (ORIGINALLY ISSUED IN TURKISH)

AUDITORS' REPORT

To the General Meeting of Shareholders of Beko Elektronik A.Ş.

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

1. The company underwent through a successful period within the context of the Capital Markets Law and the related regulations.

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

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

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

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

Istanbul, 19 March 2007
Yours truly,

Mert Ş. BAYRAM

Abdülkadir KAHRAMAN

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 Beko Elektronik A.Ş.

1. We have audited the accompanying consolidated financial statements of Beko Elektronik A.Ş., its subsidiaries and joint-ventures (the “Group”) which comprise the consolidated balance sheet as of 31 December 2006 and the consolidated statement of loss, 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 independent audit. We conducted our independent audit in accordance with the generally accepted auditing principles and standards issued by the CMB. Those standards require that we comply with ethical requirements and plan and perform the independent audit to obtain reasonable assurance on whether the consolidated financial statements are free from material misstatement.

   Our independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the consolidated financial statements. Our independent 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 independent 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. Our independent 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 independent audit evidence we have obtained is sufficient and appropriate to provide a basis for our independent audit opinion.

Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Beko Elektronik A.Ş. as of 31 December 2006, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the financial reporting standards issued by the CMB (Note 2).

Additional paragraph for convenience translation into English

5. The financial reporting standards described in Note 2 (defined as “CMB Accounting Standards”) to the consolidated financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting and presentation of primary financial statements and the notes to them. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, consolidated financial performance and consolidated cash flows in accordance with IFRS.

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

Haluk Yalçın, SMMM
Partner

Istanbul, 15 March 2007

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

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER

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

	Notes	2006	2005
ASSETS			
Current assets			
Cash and cash equivalents	4	21.604	26.329
Marketable securities (net)	5	-	-
Trade receivables (net)	7	213.413	284.757
Lease receivables (net)	8	-	-
Due from related parties (net)	9	402.198	424.422
Other receivables (net)	10	26.727	5.810
Biological assets (net)	11	-	-
Inventories (net)	12	374.936	349.973
Construction contract receivables (net)	13	-	-
Deferred tax assets	14	-	-
Other current assets	15	1.578	3.598
Total current assets		**1.040.456**	**1.094.889**
Non-current assets			
Trade receivables (net)	7	643	807
Lease receivables (net)	8	-	-
Due from related parties (net)	9	36.144	-
Other receivables (net)	10	146	169
Financial assets (net)	16	7.982	55.619
Goodwill/negative goodwill (net)	17	-	-
Investment properties (net)	18	2.786	2.418
Property, plant and equipment (net)	19	259.321	244.291
Intangible assets (net)	20	26.746	23.479
Deferred tax assets	14	38.332	11.340
Other non-current assets	15	11	15
Total non-current assets		**372.111**	**338.138**
Total assets		**1.412.567**	**1.433.027**

The consolidated financial statements prepared as at and for the year ended 31 December 2006 have been approved for issue by the Board of Directors on 15 March 2007 and signed on its behalf by Cemal Şeref Oğuzhan Öztürk, Company Manager, and Hasan Özen, Accounting Manager.

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

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER

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

	Notes	2006	2005
LIABILITIES			
Current liabilities			
Short-term financial liabilities (net)	6	391.481	158.069
Short-term portion of long-term financial liabilities (net)	6	169.957	126.877
Lease obligations (net)	8	26	-
Other financial liabilities (net)	10	17.828	26.454
Trade payables (net)	7	262.506	322.287
Due to related parties (net)	9	93.232	141.989
Advances received	21	-	-
Construction progress billings (net)	13	-	-
Provisions	23	469	1.085
Deferred tax liabilities	14	-	-
Other liabilities (net)	15	82.322	65.838
Total current liabilities		**1.017.821**	**842.599**
Non-current liabilities			
Long-term financial liabilities (net)	6	213.750	298.027
Lease obligations (net)	8	63	-
Other financial liabilities (net)	10	-	-
Trade payables (net)	7	36.144	-
Due to related parties (net)	9	-	-
Advances received	21	-	-
Provisions	23	2.131	4.098
Deferred tax liabilities	14	1.367	810
Other liabilities (net)	15	18.011	14.475
Total non-current liabilities		**271.466**	**317.410**
Total liabilities		**1.289.287**	**1.160.009**
MINORITY INTEREST	**24**	**-**	**(769)**
SHAREHOLDERS' EQUITY			
Share capital	25	174.000	174.000
Unpaid capital		-	-
Treasury shares	25	-	-
Capital reserves	26	152.526	176.106
Share premium		344	344
Share cancellation gains		-	-
Revaluation fund		-	-
Financial assets fair value reserve		-	23.580
Inflation adjustment to shareholders' equity		152.182	152.182
Profit reserves	27	9.716	8.773
Legal reserves		-	-
Statutory reserves		-	-
Extraordinary reserves		8.693	8.693
Special reserves		-	-
Investment and property sales income to be added to the share capital		-	-
Translation reserve		1.023	80
Current year loss		(127.870)	(82.038)
Accumulated deficit	28	(85.092)	(3.054)
Total shareholders' equity		**123.280**	**273.787**
Total shareholders' equity and liabilities		**1.412.567**	**1.433.027**
Commitments and contingent liabilities	**31**		

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

CONSOLIDATED STATEMENTS OF LOSS FOR THE YEARS ENDED 31 DECEMBER

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

	Notes	2006	2005
Operating revenue			
Net sales	36	1.805.911	2.025.153
Cost of sales (-)		(1.581.419)	(1.817.438)
Gross operating profit		**224.492**	**207.715**
Operating expenses (-)	37	(278.280)	(297.879)
Net operating loss		**(53.788)**	**(90.164)**
Other income and profits	38	45.244	60.824
Other expenses and losses (-)	38	(57.531)	(55.821)
Financial expenses, net	39	(88.991)	(11.731)
Loss before monetary gain, taxes and minority interests		**(155.066)**	**(96.892)**
Monetary gain	40	-	-
Loss before taxes and minority interest		**(155.066)**	**(96.892)**
Minority interest	24	-	465
Loss before taxes		**(155.066)**	**(96.427)**
Taxes on income	41	27.196	14.389
Net loss		**(127.870)**	**(82.038)**
Loss per share (TRY)	42	(0,7349)	(0,4715)

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

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

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

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

	Capital Reserves				Profit Reserves					
	Share capital	**Share premium**	**Inflation adjustment to shareholders' equity**	**Financial assets fair value reserve**	**Legal reserves**	**Extraordinary reserves**	**Translation reserves**	**Accumulated Deficit**	**Net income (loss)/for the period**	**Shareholders' equity**
Balance at 1 January 2005- previously reported	**173.834**	**-**	**165.362**	**-**	**-**	**-**	**731**	**(13.180)**	**8.693**	**335.440**
Change in accounting policy - IAS 39 (Note 2)	-	-	-	3.054	-	-	-	(2.813)	(241)	-
Balance at 1 January 2005 - as restated	**173.834**	**-**	**165.362**	**3.054**	**-**	**-**	**731**	**(15.993)**	**8.452**	**335.440**
Capital increase	166	344	-	-	-	-	-		-	510
Transfers	-	-	-	-	-	8.693	-	(241)	(8.452)	-
Accumulated deficit offset (Note 28)	-	-	(13.180)	-	-	-	-	13.180	-	-
Financial assets fair value gain (net)	-	-	-	23.491	-	-	-	-	-	23.491
Income from sale of financial assets	-	-	-	(2.965)	-	-	-	-	-	(2.965)
Currency translation differences	-	-	-	-	-	-	(651)	-	-	(651)
Net loss for the period	-	-	-	-	-	-	-	-	(82.038)	(82.038)
Balance at 31 December 2005	**174.000**	**344**	**152.182**	**23.580**	**-**	**8.693**	**80**	**(3.054)**	**(82.038)**	**273.787**
Balance at 1 January 2006	**174.000**	**344**	**152.182**	**23.580**	**-**	**8.693**	**80**	**(3.054)**	**(82.038)**	**273.787**
Transfers	-	-	-	-	-	-	-	(82.038)	82.038	-
Sale of financial assets	-	-	-	(23.580)	-	-	-	-	-	(23.580)
Currency translation differences	-	-	-	-	-	-	943	-	-	943
Net loss for the period	-	-	-	-	-	-	-	-	(127.870)	(127.870)
Balance at 31 December 2006	**174.000**	**344**	**152.182**	**-**	**-**	**8.693**	**1.023**	**(85.092)**	**(127.870)**	**123.280**

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER

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

	Notes	2006	2005
Operating activities:			
Net loss		(127.870)	(82.038)
Adjustments for:			
Increases in accruals and provisions	43	73.091	82.899
Depreciation and amortisation	18, 19, 20	30.654	39.600
Interest income	39	(35.578)	(38.489)
Interest expense	39	82.578	51.998
Income from sale of financial assets	38	(29.169)	(1.879)
Net gain on sale of property, plant and equipment, and intangible assets	38	(440)	(1.313)
Impairment on intangible assets	38	470	-
Income from investment in associated companies		-	(430)
Loss on acquisition of subsidiaries	38	859	2.391
Impairment in financial assets, net		-	(465)
Minority interest	24	-	(465)
Taxes on income	41	(27.196)	(14.389)
Net cash (used in) / provided by operating activities before changes in operating assets and liabilities		**(32.601)**	**37.420**
Changes in operating assets and liabilities, net	43	(122.660)	41.691
Income and corporation taxes paid		(1.085)	(295)
Net cash (used in) / provided by operating activities		**(123.745)**	**41.396**
Investing activities:			
Proceeds from the sale of property, plant and equipment and intangible assets		724	3.291
Purchase of property, plant and equipment and intangible assets	18,19,20	(46.278)	(42.750)
Proceeds from sale of financial assets		53.226	3.298
Increase in financial assets		-	(10.901)
Acquisition of subsidiaries		-	(23)
Net cash provided by / (used in) investing activities		**7.672**	**(47.085)**
Financing activities:			
Interest received		36.230	36.807
Interest paid		(81.480)	(52.401)
Capital increase		-	166
Share premium		-	344
Increase in financial liabilities, net		190.864	(22.735)
Net cash provided by / (used in) financing activities		**145.614**	**(37.819)**
Translation reserve		(1.665)	2.448
Net decrease in cash and cash equivalents		**(4.725)**	**(3.640)**
Cash and cash equivalents at the beginning of the year		**26.329**	**29.969**
Cash and cash equivalents at the end of the year		**21.604**	**26.329**

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

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

NOTE 1 - ORGANISATION AND PRINCIPAL ACTIVITIES

Beko Elektronik A.Ş. (the "Company" or "Beko") was established in 1966 to manufacture and sell TV sets, video, PC, electronic cash registers and other various household electronic appliances. 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 Beylikdüzü Mevki, 34901, Büyükçekmece, İstanbul, Turkey.

The Company is registered with the Capital Markets Board of Turkey ("CMB") and its shares have been quoted on the Istanbul Stock Exchange since 1992. At 31 December 2006, 19,79% of the total shares are quoted on the Istanbul Stock Exchange. At 31 December 2006, the principal shareholders and their respective shareholdings in the Company are as follows (Note 25):

	%
Arçelik A.Ş.	72,46
Other	7,75
Traded on Istanbul Stock Exchange	19,79
	100,00

On 7 May 2004, the Company established a 50% / 50% partnership with a UK based consumer electronics company, Alba Plc, and invested in Grundig Multimedia B.V..

The Company's joint ventures (the "Joint Ventures"), associates (the "Associates") and subsidiaries (the "Subsidiaries") (defined jointly as the "Group") are explained in Note 2.

The average number of employees of the Group is 3.904 (31 December 2005: 4.054).

NOTE 2 - BASIS OF PRESENTATION

2.1 Financial reporting standards

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

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards. Accordingly, the Company did not apply IAS 29 "Financial Reporting in Hyperinflationary Economies" issued by IASB in its consolidated financial statements for the accounting periods starting from 1 January 2005. These consolidated financial statements and the related notes have been prepared under the alternative application defined by the CMB as explained above and presented in accordance with the formats required by the CMB with the announcement dated 20 December 2004.

The Company maintains its books of account and prepares its statutory financial statements in New Turkish lira ("TRY") based on the Turkish Commercial Code and Tax Procedural Law. These consolidated financial statements, which are in accordance with CMB Accounting Standards, are prepared in TRY based on the historical cost conversion except for the financial assets and liabilities which are expressed with their fair values.

2.2 Financial statements of foreign joint ventures and subsidiaries

The assets and liabilities of the foreign joint ventures and subsidiaries are translated into TRY at the closing rate and the income and expenses are translated into TRY at the average rate for the year. Exchange differences arising from the differences between the average and period-end rates are included in the translation reserve under shareholders' equity.

2.3 Group accounting

a) The consolidated financial statements include the accounts of the parent company, Beko Elektronik A.Ş., and its Subsidiaries, Joint ventures and Associates on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the consolidation are prepared in accordance with the laws and regulations in force in the countries in which they operate with adjustments and reclassifications for the purpose of presentation in conformity with CMB Accounting Standards and accounting policies and presentation formats applied by Group.

b) Subsidiaries are companies over which Beko has power to control the financial and operating policies for the benefit of Beko, 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 by having the power to exercise control over the financial and operating policies.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

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

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 Beko and its Subsidiaries is eliminated against the related shareholders' equity. Intercompany transactions and balances between Beko and its Subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Beko in its Subsidiaries are eliminated from shareholders' equity and income for the year, respectively.

At 31 December, direct and indirect control by Beko over Subsidiaries included in the scope of consolidation are as follows:

	2006 %	2005 %
Fusion Digital Technology Ltd. ("Fusion Digital")	100	95
Bekodutch B.V. ("Bekodutch")	100	100
Beko Electronic Limited Liability Company ("Beko Electronic LLC")	100	-

The Company acquired 100% of Fusion Digital, 95% of the shares of which Beko owned as at 31 December 2005, with a capital increase in the amount of GBP5.500.000 on 4 January 2006. The Company decided to liquidate Fusion Digital at the Board of Directors meeting on 29 December 2005. Therefore, Fusion Digital's financial statements at 31 December 2006, which are prepared on a liquidation basis, have been consolidated.

Bekodutch, incorporated in the Netherlands, was established as an investment company on 1 December 2005.

Beko Electronic LLC, incorporated in the Russian Federation, was established on 9 March 2006 to undertake the manufacturing, procurement and sales activities of consumer electronic appliances.

Subsidiaries in which the Group has ownership interests over 50% and which are immaterial, are carried at cost, less any provision for impairment. Subsidiaries not included in the scope of consolidation are presented in Note 16.

c) Joint Ventures are companies in respect of which there are contractual arrangements through which Beko Elektronik undertakes an economic activity subject to joint control with one or more other parties. The Group's interest in Joint Ventures is accounted for by way of proportionate consolidation. By 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.

At 31 December, direct and indirect control by Beko on Joint Ventures included in the scope of consolidation are as follows:

	2006 %	2005 %
Grundig Multimedia B.V.	50	50

The principal activity of Grundig Multimedia B.V., incorporated in the Netherlands, is to develop, sell and provide after sales services for electronic products. The list of the subsidiaries consolidated in the Grundig Multimedia B.V.'s financial statements is as follows:

Subsidiary	**Country**
Grundig Benelux B.V.	Netherlands
Grundig Australia Pty. Limited	Australia
Grundig Danmark A/S	Denmark
Grundig Espana S.A.	Spain
Grundig Magyarország Kft.	Hungary
Grundig Intermedia GmbH (*)	Germany
Grundig Italiana SpA	Italy
Grundig (Schweiz) AG	Switzerland
Grundig Norge AS	Norway
Grundig OY	Finland
Grundig Portuguesa, Lda	Portugal
Grundig Polska Sp. z o.o.	Poland
ISG Intermedia Service GmbH (*)	Germany
Grundig Svenska AB	Sweden
Grundig Intermedia Ges.m.b.H	Austria
Grundig S.A.S.	France

(*) ISG Intermedia Service GmbH was merged with Grundig Intermedia Gmbh in 2006.

Subsidiaries in which Grundig Multimedia B.V. has a 100% controlling interest rate are sales and marketing companies. Beko's effective controlling interest rate of these subsidiaries is 50%.

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

d) Associates are companies in which the Group has an attributable interest of 20% or more of the ordinary share capital held for the long-term and over which a significant influence is exercised. Associates are accounted for using the equity method. The Group's share of the Associates' profits or losses for the year is recognised in the income statement and its share of Associates' movements in shareholders' equity, such as changes in financial assets fair value reserve and cumulative translation difference, are recognised in the statement of shareholders' equity. The Group's interest in the Associates is carried in the consolidated balance sheet at an amount that reflects its share in the net assets of the Associates. Provisions are provided in the case long-term impairment in value is identified (Note 16).

At 31 December, direct and indirect control by Beko on Associates are as follows:

	2006 %	**2005** %
Ram Pacific Ltd. ("Ram Pacific")	-	25

Ram Pacific established in 1995 is a foreign trading company. The Company has sold its 25% share in Ram Pacific for USD1.125.000, equivalent of TRY1.654.

Available-for-sale investments, in which the Group has controlling interests below 20%, equal to 20%, or over 20% but which are either immaterial or in which 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 (Note 16).

e) Subsidiaries, Joint Ventures and Associates are included in the scope of consolidation from the date on which control is transferred to the Group.

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

2.4 Comparatives and restatement of prior period financial statements

The Group recognises sales and purchases related to its Subsidiaries and Joint Ventures made through Ram Dış Ticaret as intra-group transactions; thus these transactions are eliminated in the consolidated financial statements. Related transactions that occurred in 2005 are similarly eliminated for consistency with the current year financial statements and as a result of the mentioned elimination, consolidated export sales and the related cost of sales as of 31 December 2005 have decreased by TRY170.021.

2.5 Changes in accounting policies and estimates and errors

IAS 39 - Financial Instruments: Recognition and Measurement has been revised effective from the periods beginning on or after 1 January 2005. In accordance with the revised standard, gains and losses on available-for-sale financial assets should be directly recognised in equity until the financial assets are derecognised.

The Company recognised gains and losses on available-for-sale financial assets in the statement of income until 31 December 2004. In accordance with the revision of the standard, the Company applied the accounting policy change retrospectively, and adjusted the earliest prior period presented.

As of 1 January 2006, the Group has reviewed useful lives of its property, plant and equipment and made changes in their estimated useful lives. These changes had a positive effect of TRY10.071 on the consolidated financial statements as of 31 December 2006.

2.6 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 realize the assets and settle the liabilities simultaneously.

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

The financial reporting standards described in Notes 2.1 (defined as "CMB Accounting Standards") differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, presentation of the primary financial statements and the notes to them. Accordingly, these consolidated financial statements are not intended to present the consolidated financial position, consolidated financial performance and consolidated cash flows in accordance with IFRS.

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NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by/or affiliated with them, associated companies and other companies within the Koç Holding group are considered and referred to as related parties. Transactions with related parties are priced predominantly at market rates (Note 9).

3.2 Trade receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortised cost. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant (Note 7).

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

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

3.3 Credit finance income/charges

Credit finance income/charges represent imputed finance income/charges on credit sales and purchases. Such income/charges are recognised as financial income or expenses over the term of credit sale and purchases, and included under financial income and expenses (Note 39).

3.4 Financial assets

The Group classified its financial assets as "available-for-sale" in accordance with IAS 39 "Financial Instruments". Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale and included in non-current assets unless management has the intention of holding the investment for less than 12 months from the balance sheet date, or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Group management determines the appropriate classification of its financial assets at the time of the purchase and re-evaluates such designations on a regular basis (Note 16).

All financial assets are initially recognised at cost, being the fair value of the consideration given including acquisition charges associated with the financial assets. After initial recognition, financial assets that are classified as "available-for-sale" are measured at fair value unless fair value cannot be reliably measured. The unrealised gains and losses that result from the changes in the fair values of available-for-sale investments are directly recognised in the shareholders' equity and are not released to the consolidated statements of income until they are disposed of or sold.

At each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of financial assets classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered in assessing whether the investment is impaired. If such evidence exists for impairment of available-for-sale financial assets, cumulative net loss, measured as the difference between the acquisition cost (net value after principle payments and amortisation) and current fair value (for common stocks), less any impairment loss on this financial asset previously recognised in profit or loss, is removed from shareholders' equity and recognised in the statement of income for the period. Impairment losses on financial assets classified as available-for-sale are not reversed through the statement of income.

Available-for-sale financial assets that do not have quoted market prices in active markets, for which fair value estimates cannot be made as the other valuation techniques are not applicable and therefore fair value cannot be reliably measured are carried at cost less any provision for diminution in value.

3.5 Inventories

Inventories are valued at the lower of cost or net realisable value. Cost elements included in inventories are materials, labour and an appropriate amount for factory overheads. The cost of inventories is determined on a moving average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses (Note 12).

3.6 Investment property

Building held for rental yields or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as "investment property". Investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses. Investment properties are depreciated with the straight-line depreciation method over their useful lives (Note 18).

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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 the asset's net selling price or value in use.

3.7 Property, plant, equipment and related depreciation

Property, plant and equipment are carried at acquisition costs less accumulated depreciation (Note 19). Depreciation is provided using the straight-line method based on the estimated useful lives of the assets, except for land due to its indefinite useful life.

The Company reviewed useful lives of its property, plant and equipment as of 1 January 2006 and revised the useful lives as follows:

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

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

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

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

3.8 Intangible assets and related amortisation

Intangible assets comprise of the Grundig brand and acquired information systems and software. Intangible assets are recorded at acquisition cost and amortised using the straight-line method based on estimated useful lives of 5-15 years except for the Grunding brand since it has an indefinite useful life. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down to its recoverable amount (Note 20).

3.9 Leases

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 of capital and interest elements, the capital element is treated as reducing the capitalised obligation under the lease and the interest element is charged to the statement of loss. 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 risks and rewards of ownership are retained by the lessor are classified as operational leases. Payments made under operational leases are charged to the income statement on a straight-line basis over the period of the operational leases.

3.10 Financial liabilities

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

3.11 Derivative financial instruments

Group's derivative financial instruments include forward foreign exchange contracts. These derivative financial instruments, while providing effective economic hedges under the Group's risk management position, do not qualify for hedge accounting under the specific rules in IAS 39 and therefore are accounted for as derivatives held-for-trading in the consolidated financial statements.

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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.

3.12 Deferred income taxes

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

The principal temporary differences arise from the difference between the tax base and the carrying amount of property, plant and equipment, unearned credit finance income and expenses, provision for export sales expenses, warranty provision, provision for impairment on stocks, provision for doubtful receivables and unused tax credits.

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 (Note 14).

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.

3.13 Employment termination benefits

Employment termination benefits, as required by the Turkish Labour Law, 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 or death upon the completion of a minimum one year service (Note 23).

3.14 Foreign currency transactions and translation

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 New Turkish lira at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from the settlement and translation of foreign currency items have been included in the consolidated statements of income (Note 39).

3.15 Revenue recognition

Revenues are recognised on an accrual basis at the time deliveries or acceptances are made, at the invoiced values of the consideration received or that is receivable. Net sales represent the invoiced value of goods shipped less sales returns, discounts and commission. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised as interest income in the year on an accrual basis.

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

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

3.17 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 (Notes 9 and 38).

3.18 Warranties

Warranty expenses are recorded as a result of repair and maintenance expenses for products produced and sold, authorised services' labour and material costs for products under the scope of the warranty terms without any charge to the customers, initial maintenance costs and estimated costs based on statistical information for possible future warranty services and returns of products with respect to the products sold during the period (Note 15).

3.19 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.

3.20 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.

3.21 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 Company are not included in financial statements and are treated as contingent assets or liabilities (Note 31).

3.22 Earnings per share

Loss per share for each class of shares disclosed in the consolidated statements of loss is determined by dividing the net loss attributable to that class of shares by the weighted average number of such shares outstanding during the period concerned (Note 42).

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 year.

No bonus shares have been issued during the year.

3.23 Management's estimates

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

3.24 Reporting of cash flows

For the purposes of the statement of cash flows, cash and cash equivalents include cash and amounts due from banks and marketable securities with maturity periods of less than three months (Note 4).

3.25 Financial instruments and risk management

The Group's activities expose 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.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed by offsetting interest rate sensitive assets and liabilities.

Funding risk

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

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of agreements. These risks are monitored by credit ratings and by limiting the aggregate risk to any individual counterparty. A significant amount of trade receivables is from related parties. Eximbank insurance, factoring limit guarantees and sales with letters of credit obtained for the foreign receivables from export sales are other means of guarantee used in managing credit risk by the Group. In factoring applications, the Group, in case it is required, may prefer the early collection of some of its receivables bearing the costs of such transactions. These transactions are carried out in line with irrevocable risk management applications.

Foreign exchange rate risk

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

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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, judgement is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

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

Monetary assets

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

The fair values of certain financial assets carried at cost, including cash and cash equivalents are considered to approximate their respective carrying values due to their short-term nature.

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

The fair values of financial assets are considered to approximate their carrying values.

Monetary liabilities

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

Long-term borrowings that are denominated in foreign currencies are translated at period-end exchange rates and accordingly their fair values approximate their carrying values.

Trade payables have been estimated at their fair values.

Employment termination benefits are accounted for at their discounted values.

NOTE 4 - CASH AND CASH EQUIVALENTS

	2006	**2005**
Cash in hand	33	113
Banks		
- demand deposits	17.564	15.729
- time deposits	1.470	8.162
Other	2.537	2.325
	21.604	**26.329**

As at 31 December, the maturity analysis for cash and cash equivalents is as follows:

	2006	**2005**
Demand or up to 30 days	20.778	18.292
30 - 90 days	826	8.037
	21.604	**26.329**

As at 31 December, the interest rates of time deposits are as follows:

	2006 %	**2005 %**
TRY time deposits	-	15
Foreign currency time deposits	1-5	2-5

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NOTE 5 - MARKETABLE SECURITIES

The Group has no marketable securities at the balance sheet date (31 December 2005: None).

NOTE 6 - FINANCIAL LIABILITIES

a) Short-term financial liabilities:

	2006			2005		
	Effective interest rate (%)	Original amount	TRY	Effective interest rate (%)	Original amount	TRY
Bank borrowings						
USD	Libor+0,55 - 1,00	56.219.235	79.022	Libor+0,50 - 1,15	56.938.999	76.401
EUR	Euribor+ 1,15	15.355.434	28.431	Euribor+ 0, 50 - 2,75	7.550.000	11.986
TRY	14,00 - 20,40	-	284.028	-	-	2.466
Letters of credit (*)						
USD		-	-		42.878.196	57.533
EUR		-	-		6.099.425	9.683
			391.481			**158.069**

(*) Letters of credit are used for the payment of the Group trade payables.

b) Short-term portion of long-term financial liabilities:

	2006			2005		
	Effective interest rate (%)	Original amount	TRY	Effective interest rate (%)	Original amount	TRY
Bank borrowings						
EUR	Euribor+ 0,75 - 3,00	53.053.090	98.228	Euribor + 0,75 - 2,20	33.363.706	52.965
TRY	20,73	-	43.190	14,45 - 16,75	-	2.244
EUR (IFC loan)	Euribor+ 2,95 - 3,20	11.527.890	21.344	Euribor + 2,95 - 3,20	10.539.794	16.732
USD	Libor + 3,00 - 3,50	5.118.799	7.195	Libor + 2,00 - 3,50	40.942.298	54.936
			169.957			**126.877**
Total short-term financial liabilities			**561.438**			**284.946**

c) Long-term financial liabilities:

	2006			2005		
	Effective interest rate (%)	Original amount	TRY	Effective interest rate (%)	Original amount	TRY
Bank borrowings						
USD	Libor + 1,25 - 3,75	58.666.668	82.462	Libor + 3,00 - 3,75	21.111.112	28.327
TRY	20,52 - 21,16	-	68.715	14,45 - 16,75	-	78.715
EUR	Euribor+ 0,75 - 2,20	17.575.538	32.541	Euribor+ 0,75 - 3,00	92.788.398	147.302
EUR (IFC loan)	Euribor+ 3,20	16.220.600	30.032	Euribor + 2,95 - 3,20	27.517.088	43.683
			213.750			**298.027**

The Company has loans from the International Finance Corporation ("IFC") in the amount of EUR27.748.490. These loans are being used for investments and working capital requirements.

The Company has loans from HSBC and Citibank in the amount of EUR8.648.201 used to purchase the patent, brand, research and development activities and after sales service units of Grundig AG.

The Company has long-term loans in the amount of EUR17.245.000, USD42.000.000 and TRY55.000 from various banks for investments and working requirements.

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The redemption schedule of the long-term financial liabilities is as follows:

	2006	2005
2007	-	99.886
2008	182.050	167.714
2009	23.913	20.287
2010	5.612	7.965
2011	2.175	2.175
	213.750	**298.027**

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	2006	2005
Short-term trade receivables:		
Trade receivables	254.646	283.851
Notes receivables	8.539	10.342
Cheques receivables	8.132	13.411
	271.317	**307.604**
Provision for doubtful receivables (-)	(57.904)	(22.847)
Trade receivables, net	**213.413**	**284.757**

Movement of provision for doubtful receivables at 31 December is as follows:

	2006	2005
1 January	22.847	4.871
Current year additions (Note 38)	34.819	18.033
Currency translation difference	238	(57)
31 December	**57.904**	**22.847**

	2006	2005
Long-term trade receivables:		
Deposits and guarantees given	643	807
	643	**807**
Short-term trade payables:		
Trade payables - domestic	153.928	120.981
Trade payables - import	108.714	201.785
	262.642	**322.766**
Deferred credit finance charges (-)	(136)	(479)
	262.506	**322.287**
Long-term trade payables:		
Payable to joint venture partner (Note 9)	36.144	-
	36.144	**-**

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NOTE 8 - LEASE RECEIVABLES AND OBLIGATIONS

a) Lease receivables

The Group does not have lease receivables at 31 December 2006 and 2005.

b) Lease obligations

	2006	2005
Short-term lease obligations	26	-
Long-term lease obligations	63	-
	89	**-**

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

i) Balances with related parties

a) Short-term due from related parties

	2006	2005
Arçelik A.Ş. ("Arçelik")	261.238	273.068
Ram Dış Ticaret A.Ş. ("Ram Dış Ticaret")	68.820	99.154
Beko Electronics Espana SL. ("Beko Espana")	27.169	2.834
Beko PLC	27.201	3.656
Beko France S.A.	14.555	2.640
S.C. Arctic S.A.	6.119	4.058
Grundig Multimedia B.V.	2.021	33.574
Other	3.481	14.496
	410.604	**433.480**
Less: Unearned credit finance income from related parties	(8.406)	(9.058)
	402.198	**424.422**

b) Long-term due from related parties

Ram Dış Ticaret (*)	36.144	-
	36.144	**-**

(*) As of 30 June 2006, Beko Elektronik A.Ş. and its Joint Venture partner, Alba Plc have extended the due dates of their trade receivables from Grundig Multimedia B.V., their Joint Venture. In this respect, the long-term receivables have been classified under "long-term due from related parties" in the consolidated financial statements at 30 June 2006 since Beko makes its sales to Grundig Multimedia B.V. over Ram Dış Ticaret. The balance with Alba Plc has been classified under "long-term trade payables" (Note 7).

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c) Due to related parties

	2006	2005
Ram Pacific	79.620	80.431
Beko PLC	3.764	684
Beko Deutschland GmbH ("Beko Deutschland")	1.035	4.794
Kofisa Trading Company S.A. ("Kofisa Trading") (*)	-	42.859
Other	4.533	9.534
	88.952	**138.302**
Payables to personnel	4.280	3.687
	93.232	**141.989**

(*) The controlling right of Koç Group in the company ceased following the share transfer in 2006, hence the company is not considered as related party as of 31 December 2006.

d) Bank Deposits

	2006	2005
Koç Bank A.Ş.		
- time deposits	-	7.067
- demand deposits	-	775
Yapı ve Kredi Bankası A.Ş.		
- demand deposits	998	127
	998	**7.969**

e) Letters of Credit

Yapı ve Kredi Bankası A.Ş.		
- EUR	-	5.365
- USD	-	10.420
	-	**15.785**

f) Derivative financial instruments

31 December 2006

	Contract value	Fair value Assets/(Liabilities)	
Yapı ve Kredi Bankası A.Ş.	35.623	-	(952)
	35.623	**-**	**(952)**

31 December 2005

	Contract value	Fair value Assets/(Liabilities)	
Koçbank A.Ş.	56.460	1.536	(3.141)
	56.460	**1.536**	**(3.141)**

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ii) Transactions with related parties

	2006	2005
a) Sales		
Ram Dış Ticaret	254.376	455.334
Arçelik	471.965	499.628
Beko PLC	71.766	4.989
Beko Espana	63.327	6.800
Beko France S.A.	33.051	24.825
S.C. Arctic S.A.	16.566	10.330
Beko Deutschland	16.354	23.377
Grundig Multimedia B.V.	13.346	32.285
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	1.079	27.307
Other	476	864
	942.306	**1.085.739**
b) Purchases of materials and services		
Ram Pacific	186.340	107.088
Kofisa Trading (*)	112.656	83.082
Arçelik	23.964	-
Beko Ticaret A.Ş.	9.942	8.380
İzocam Ticaret ve San. A.Ş. (*)	8.504	9.807
Setur Servis Turistlik A.Ş.	5.906	3.681
Ram Sigorta Aracılık Hizmetleri A.Ş.	3.926	5.749
Other	9.580	19.754
	360.818	**237.541**

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

c) Financial income/(expense) net		
Arçelik- unearned credit finance income (Note 39)	29.782	29.053
Ram Dış Ticaret- foreign exchange gains / (losses)	26.712	(24.182)
Other	(1.667)	(5.316)
	54.827	**(445)**
d) Other transactions		
Sale of financial assets and dividend income		
Arçelik	28.885	-
Mogaz Petrol Gazları A.Ş. ("Mogaz")	-	1.879
Dividend income	38	189
	28.923	**2.068**

	2006	2005
e) Commitments and contingent liabilities		
Ram Pacific (bills of exchange) - Note 31 (d)	-	75.913
	-	**75.913**

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iii) Joint ventures

Before consolidation adjustments, the assets, liabilities and net loss of the Joint venture, which is accounted for by the way of proportionate consolidation as explained in Note 2.b are as follows:

	2006	**2005**
Balance sheet		
Current assets	179.519	210.806
Non-current assets	26.522	23.797
Total assets	**206.041**	**234.603**
Current liabilities	150.354	219.679
Non-current liabilities	78.088	5.890
Shareholders' equity	(22.401)	9.034
Total liabilities and shareholders' equity	**206.041**	**234.603**

Statements of loss

	2006	**2005**
Net sales	348.451	351.507
Cost of sales (-)	(295.769)	(285.108)
Operating expenses (-)	(86.685)	(71.585)
Net operating loss	**(34.003)**	**(5.186)**
Other income, net	5.181	6.260
Financal expenses, net	(3.453)	(4.237)
Loss before tax	**(32.275)**	**(3.163)**
Taxes on income	196	(1.786)
Net loss	**(32.079)**	**(4.949)**

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

	2006	**2005**
Other short-term receivables		
Value Added Tax (“VAT”) receivable	24.741	4.714
Other	1.986	1.096
	26.727	**5.810**
Other long-term receivables		
Other receivables	146	169
Other short-term financial liabilities		
Taxes and funds payable	17.828	26.454

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NOTE 11 - BIOLOGICAL ASSETS

Biological assets are not included in the operations of the Group.

NOTE 12 - INVENTORIES

	2006	2005
Raw materials and supplies	159.413	138.905
Semi-finished goods	9.151	8.345
Finished goods	70.353	51.727
Merchandise	49.549	56.969
Advances given	1.258	3.645
Goods-in-transit	119.408	118.670
	409.132	**378.261**
Provision for impairment on inventories (-)	(34.196)	(28.288)
	374.936	**349.973**

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

	2006	2005
Raw material	17.049	10.593
Finished goods	10.557	7.931
Merchandise	6.590	7.900
Goods-in-transit	-	1.864
	34.196	**28.288**

Movement of impairment on inventories is as follows:

	2006	2005
1 January	28.288	-
Current year additions (Note 38)	19.050	28.627
Realised due to sale or consumption of inventory	(14.207)	-
Currency translation difference	1.065	(339)
31 December	**34.196**	**28.288**

NOTE 13 - CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLINGS

The Group has no construction contract receivables or progress billings.

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

	2006	2005
Deferred tax assets	38.332	11.340
Deferred tax liabilities	(1.367)	(810)
Deferred tax assets, net	**36.965**	**10.530**

The Company recognises deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for CMB Accounting Standards purposes and its statutory tax financial statements.

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

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The breakdown of cumulative temporary differences and the resulting deferred tax assets/(liabilities) provided for the years ended at 31 December using the enacted future tax rates is as follows:

	Cumulative temporary differences		Deferred tax assets	
	2006	**2005**	**2006**	**2005**
Deferred tax assets:				
Unearned income/charges in receivables and payables, net	(8.270)	(8.579)	1.654	2.574
Provision for employment termination benefits	(2.131)	(3.706)	426	1.112
Impairment on inventories	(27.610)	(21.758)	5.522	6.526
Warranty provision	(38.892)	(25.963)	7.778	7.782
Provision for doubtful receivables	(43.255)	(15.914)	8.651	4.774
Accrual for export sales expenses	(5.439)	(15.527)	1.088	4.658
Unused tax credits	(165.311)	(33.169)	33.097	9.951
Other	(8.528)	(3.575)	1.756	1.073
			59.972	**38.450**
Deferred tax liabilities:				
Net difference between the tax base and carrying amount of tangible and intangible assets	105.296	92.434	(21.252)	(27.540)
Other	8.478	1.266	(1.755)	(380)
			(23.007)	**(27.920)**
Deferred tax assets, net			**36.965**	**10.530**

The movement of deferred tax assets for the years ended 31 December is as follows:

	2006	**2005**
1 January	10.530	(4.928)
Current year deferred tax income, net (Note 41)	26.589	15.411
Currency translation difference	(154)	47
31 December	**36.965**	**10.530**

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

	2006	**2005**
Other current assets		
Prepaid expenses	1.471	1.873
Foreign currency forwards	-	1.329
Other	107	396
	1.578	**3.598**
Other current liabilities		
Warranty provisions	35.624	20.404
Provision for export sales expenses	26.424	24.849
Provision for outstanding invoices	7.173	6.324
Foreign currency forwards	1.749	2.387
Provision for product recalls	-	4.882
Other expense accruals	11.352	6.992
	82.322	**65.838**
Other non-current liabilities		
Warranty provisions	16.780	13.179
Deferred income	243	266
Other	988	1.030
	18.011	**14.475**

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NOTE 16 - FINANCIAL ASSETS

	2006	2005
Available-for-sale investments	7.982	54.249
Investments in associated companies	-	1.370
	7.982	**55.619**

i. Available-for-sale investments:

	2006		2005	
	%	TRY	%	TRY
Koç Tüketici Finansmanı ve Kart Hizmetleri A.Ş. ("Koç Finans")	7,50	6.056	7,50	6.056
Ultra Kablolu	7,50	1.901	7,50	1.901
Nacionalis- Importaçao, Exportaçao e Serviços, Lda (*)	15,00	14	15,00	14
Grundig Intermedia Trgovina, d.o.o., Ljubljana (*)	50,00	6	50,00	6
Gesellschaft für Unterhaltungs- und Kommunikationselektronik (GFU) GmbH (*)	3,57	5	3,57	5
Koç Finansal Hizmetler A.Ş. (**)	-	-	0,70	45.361
Ram Dış Ticaret (**)	-	-	6,75	906
		7.982		**54.249**

(*) Available-for-sale investments, in which the Group has direct or indirect controlling interests of over 20% but which are immaterial, are carried at cost less any provision for impairment.

(**) The Company has sold its shares in Koç Finansal Hizmetler A.Ş. and Ram Dış Ticaret A.Ş. at 28 December 2006 (Note 38).

As at 31 December 2006, an impairment loss on available-for-sale investments in the amount of TRY16.137 (31 December 2005: TRY35.034) has been provided.

As at 31 December 2005, the unrealised gains (net) arising from changes in the fair value of available-for-sale investments in Koç Finansal Hizmetler A.Ş amounting to TRY23.580 have been recognised in equity under "financial assets fair value reserve". At 28 December 2006, upon the sale of Company's shares in Koç Finansal Hizmetler A.Ş., this balance has been deducted from the financial assets fair value reserve.

ii. Investments in associated companies:

	2006		2005	
	%	TRY	%	TRY
Ram Pacific Ltd.	-	-	25,00	1.370
		-		**1.370**

At 27 November 2006, the Company has sold its shares in Ram Pacific (Note 38).

Movements of Associates for the years ended 31 December is as follows:

	2006	2005
1 January	1.370	940
The Group's share in the Associate's current year profit (Note 38)	-	430
Sale of Associate (Note 38)	(1.370)	-
31 December	**-**	**1.370**

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At 31 December 2005, the Group's share in the assets, liabilities and current year results of the Associate are presented below:

	Assets	Liabilities	Net sales	Profit for the period	Total proportion of ownership interests %
31 December 2005					
Ram Pacific	11.302	9.932	52.496	1.720	25,00
	11.302	**9.932**	**52.496**	**1.720**	

NOTE 17 - GOODWILL/ NEGATIVE GOODWILL

There is no goodwill/negative goodwill in the Group's balance sheet.

NOTE 18 - INVESTMENT PROPERTY

	1 January 2006	Additions	Disposals	Currency translation difference	31 December 2006
Cost	3.460	17	-	575	4.052
Accumulated depreciation	(1.042)	(50)	-	(174)	(1.266)
	2.418				**2.786**

	1 January 2005	Additions	Disposals	Currency translation difference	31 December 2006
Cost	3.980	-	-	(520)	3.460
Accumulated depreciation	(1.115)	(73)	-	146	(1.042)
	2.865				**2.418**

The investment property owned by Grundig Multimedia B.V., the Joint Venture of the Group, amounting to TRY2.786 (31 December 2005: TRY2.418), is rented to third parties under rent contracts.

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NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2006	Additions	Disposals	Transfers	Currency translation difference	31 December 2006
Cost						
Land and land improvements	14.249	118	-	-	55	14.422
Buildings	111.510	1.489	-	1.845	182	115.026
Machinery and equipment	429.886	23.434	(1.519)	13.420	188	465.409
Motor vehicles, furniture and fixtures	39.503	1.871	(1.003)	3.743	203	44.317
Construction in progress	2.644	18.614	-	(20.725)	2	535
Advances given	279	-	-	(279)	-	-
Leasehold improvements	1.180	-	-	-	-	1.180
	599.251	**45.526**	**(2.522)**	**(1.996)**	**630**	**640.889**
Accumulated depreciation						
Land improvements	4.023	507	-	-	-	4.530
Buildings	26.149	3.265	-	-	19	29.433
Machinery and equipment	291.551	22.650	(1.343)	-	106	312.964
Motor vehicles, furniture and fixtures	32.720	1.968	(895)	-	103	33.896
Leasehold improvements	517	228	-	-	-	745
	354.960	**28.618**	**(2.238)**	**-**	**228**	**381.568**
Net book value	**244.291**					**259.321**

At 31 December 2006, there are mortgages amounting to TRY93.851 on property, plant and equipment (31 December 2005: TRY80.469) (Note 31 (d)).

	1 January 2005	Additions	Disposals	Transfers	Currency translation difference	31 December 2005
Cost						
Land and land improvements	12.441	-	-	1.812	(4)	14.249
Buildings	80.370	589	-	30.761	(210)	111.510
Machinery and equipment	408.414	3.483	(1.078)	19.234	(167)	429.886
Motor vehicles, furniture and fixtures	37.781	2.225	(1.185)	792	(110)	39.503
Construction in progress	23.180	31.745	-	(52.281)	-	2.644
Advances given	646	1.318	-	(1.685)	-	279
Leasehold improvements	1.065	183	(68)	-	-	1.180
	563.897	**39.543**	**(2.331)**	**(1.367)**	**(491)**	**599.251**
Accumulated depreciation						
Land improvements	3.557	466	-	-	-	4.023
Buildings	22.924	3.240	-	-	(15)	26.149
Machinery and equipment	261.374	31.211	(975)	-	(59)	291.551
Motor vehicles, furniture and fixtures	30.933	2.858	(1.056)	-	(15)	32.720
Leasehold improvements	321	217	(21)	-	-	517
	319.109	**37.992**	**(2.052)**	**-**	**(89)**	**354.960**
Net book value	**244.788**					**244.291**

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NOTE 20 - INTANGIBLE ASSETS

	1 January 2006	Additions	Impairment	Transfers	Currency translation difference	31 December 2006
Cost						
Brand	17.507	-	-	-	2.911	20.418
Other	18.099	735	(470)	1.996	89	20.449
	35.606	**735**	**(470)**	**1.996**	**3.000**	**40.867**
Accumulated amortisation						
Other	12.127	1.986	-	-	8	14.121
	12.127	**1.986**	**-**	**-**	**8**	**14.121**
Net book value	**23.479**					**26.746**

	1 January 2005	Additions	Impairment	Transfers	Currency translation difference	31 December 2005
Cost						
Brand	17.859	1.987	-	-	(2.339)	17.507
Other	17.393	1.220	(1.699)	1.367	(182)	18.099
	35.252	**3.207**	**(1.699)**	**1.367**	**(2.521)**	**35.606**
Accumulated amortisation						
Other	10.599	1.535	-	-	(7)	12.127
	10.599	**1.535**	**-**	**-**	**(7)**	**12.127**
Net book value	**24.653**					**23.479**

NOTE 21 - ADVANCES RECEIVED

The Group has no advances in the consolidated balance sheet.

NOTE 22 - RETIREMENT PLANS

The Group has no liabilities resulting from retirement plans in the consolidated financial statements.

NOTE 23 - PROVISIONS

	2006	2005
a) Short-term provisions		
Provision for taxes (Note 41)	469	1.085
b) Long-term provisions		
Provision for employment termination benefits	2.131	4.098

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

Under the Turkish Labour Law, the Company is 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 (20 years for women) 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 TRY1,85744 (31 December 2005: TRY1,72715) for each period of service at 31 December 2006.

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

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

CMB Accounting Standards requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	2006	**2005**
Discount rate (%)	5,71	5,49
Turnover rate to estimate the probability of retirement (%)	80,00	80,00

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TRY1,96069 (1 January 2006: TRY1,77062) which is effective from 1 January 2007 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

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

	2006	**2005**
1 January	4.098	5.114
Charge for the year	10.659	2.766
Payments during the year (-)	(12.673)	(3.704)
Currency translation difference	47	(78)
31 December	**2.131**	**4.098**

NOTE 24 - MINORITY INTEREST

Changes in minority interest for the years ended 31 December are as follows:

	2006	**2005**
1 January	**(769)**	**(2.560)**
Effect of change in effective interest rate	769	1.824
Net loss attributable to minority interest	-	(465)
Currency translation difference	-	432
31 December	**-**	**(769)**

NOTE 25 - CAPITAL/ADJUSTMENT TO SHARE CAPITAL

The Company adopted the registered share capital system available to companies registered with the CMB.

	2006	**2005**
Limit on registered share capital	400.000	400.000
Authorised and paid-in share capital	174.000	174.000

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The shareholding structure for the years ended 31 December is as follows:

	2006		2005	
Shareholders	**Share %**	**Amount**	**Share %**	**Amount**
Arçelik A.Ş.	72,46	126.080	22,36	38.910
Koç Holding A.Ş.	-	-	32,87	57.200
Beko Ticaret A.Ş.	-	-	12,42	21.614
Other	7,75	13.490	12,56	21.846
Traded on Istanbul Stock Exchange	19,79	34.430	19,79	34.430
Total	**100,00**	**174.000**	**100,00**	**174.000**
Adjustment to share capital (*)		152.182		152.182
Total paid in share capital		**326.182**		**326.182**

(*) Adjustment to share capital, at the purchasing power of 31 December 2004, represents the restatement effect of cash contributions to share capital.

Arçelik A.Ş. acquired shares of Beko Elektronik A.Ş. with a nominal value of TRY57.200 from Koç Holding A.Ş., TRY21.614 from Beko Ticaret A.Ş., TRY1.384 from Temel Ticaret ve Yatırım A.Ş. and TRY6.973 from Koç Family members, a total of TRY87.171 at 6 October 2006, and increased its existing shares of 22,36% in Beko Elektronik A.Ş. to 72,76%.

There are 174.000.000 shares the nominal value of which is TRY1 (31 December 2005: 174.000.000). There are no privileges granted to different share groups or shareholders.

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

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

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

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

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

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

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

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

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

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Inflation adjustment to shareholders' equity can either be netted-off against prior years' losses or used as an internal source in capital increase, shareholders' equity restatement differences from reserves on which there are no prohibitions for profit distribution can be used in distributions of dividends where extraordinary reserves can be netted-off against prior years' losses, used in distribution of bonus shares or distributions of dividends to shareholders.

In accordance with the Communiqué No: XI-25, the shareholders' equity schedule for the years ended 31 December, is as follows:

	2006	**2005**
Share capital	174.000	174.000
Extraordinary reserves	8.693	8.693
Share premium	344	344
Inflation adjustment to shareholders' equity	152.182	152.182
Financial assets fair value reserve	-	23.580
Net loss for the period	(127.870)	(82.038)
Accumulated deficit	(85.092)	(3.054)
Translation reserve	1.023	80
Total shareholders' equity	**123.280**	**273.787**

The Company, based on the authorisation through the Ordinary General Assembly decision dated 8 April 2005, resolved to offset the "Prior Years' Losses" amounting to TRY13.180 at the equivalent purchasing power of 31 December 2005 from the "inflation adjustment to shareholders' equity " and to transfer the "Consolidated Net Income" for the year 2005 amounting to TRY8.693 to the "Extraordinary Reserves".

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

	Nominal value	**Restated amounts**	**Inflation adjustment to shareholders' equity**
Share capital	174.000	374.945	200.945
Accumulated loss offset	-	(48.763)	(48.763)
	174.000	**326.182**	**152.182**

NOTE 29 - FOREIGN CURRENCY POSITION

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

	2006	**2005**
Assets	567.357	628.591
Liabilities	(745.144)	(917.394)
Net balance sheet position	**(177.787)**	**(288.803)**
Net position of derivative financial instruments	**98.053**	**162.490**
Net foreign currency position	**(79.734)**	**(126.313)**

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Assets and liabilities denominated in foreign currency at 31 December 2006 are as follows:

	31 December 2006				
	EUR	**USD**	**GBP**	**Other**	**Total**
Current assets:					
Cash and cash equivalents	11.257	1.050	3.300	4.680	20.287
Trade receivables (net)	131.198	54.343	278	21.142	206.961
Due from related parties (net)	66.105	71.768	18.251	-	156.124
Inventories (net)	72.060	62.670	2	9.000	143.732
Other receivables and other current assets	1.741	-	-	-	1.741
Other current assets	589	-	33	690	1.312
Non-current assets:					
Trade receivables (net)	-	-	-	643	643
Due from related parties (net)	36.144	-	-	-	36.144
Deferred tax assets	303	-	-	-	303
Other receivables	70	-	-	40	110
Total assets	**319.467**	**189.831**	**21.864**	**36.195**	**567.357**
Current liabilities:					
Short-term financial liabilities (net)	28.431	79.022	-	-	107.453
Current maturities of long-term financial liabilities (net)	119.572	7.195	-	-	126.767
Trade payables (net)	72.894	88.237	1.211	2.600	164.942
Due to related parties (net)	1.304	80.225	4.312	-	85.841
Other liabilities (net)	58.109	4.596	1.681	7.617	72.003
Non-current liabilities:					
Long-term financial liabilities (net)	62.573	82.462	-	-	145.035
Trade payables (net)	36.144	-	-	-	36.144
Deferred tax liabilities	1.361	-	-	5	1.366
Other liabilities (net)	4.293	-	-	1.300	5.593
Total liabilities	**384.681**	**341.737**	**7.204**	**11.522**	**745.144**
Net balance sheet position	**(65.214)**	**(151.906)**	**14.660**	**24.673**	**(177.787)**
Net position of derivative financial instruments	**27.773**	**70.280**	**-**	**-**	**98.053**
Net foreign currency position	**(37.441)**	**(81.626)**	**14.660**	**24.673**	**(79.734)**

The net foreign currency position of the Group at 31 December 2006 is negative TRY79.734 equivalent to EUR43.064.542.

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Assets and liabilities denominated in foreign currency at 31 December 2005 are as follows:

	31 December 2005				
	EUR	**USD**	**GBP**	**Other**	**Total**
Current assets:					
Cash and cash equivalents	10.815	1.687	335	5.088	17.925
Trade receivables (net)	162.451	93.046	5.719	23.541	284.757
Due from related parties (net)	108.032	62.007	14.131	370	184.540
Inventories (net)	78.188	42.606	2.843	11.887	135.524
Other receivables and other current assets	3.887	341	-	659	4.887
Non-current assets:					
Other receivables	92	-	12	854	958
Total assets	**363.465**	**199.687**	**23.040**	**42.399**	**628.591**
Current liabilities:					
Short-term financial liabilities (net)	21.668	133.935	-	-	155.603
Current maturities of long-term financial liabilities (net)	69.697	54.936	-	-	124.633
Trade payables (net)	109.754	100.749	2.931	2.858	216.292
Due to related parties (net)	21.051	76.703	17.984	13.986	129.724
Provisions	5.299	-	48	-	5.347
Other current liabilities (net)	45.426	5.193	2.388	7.486	60.493
Non-current liabilities:					
Long-term financial liabilities (net)	190.985	28.327	-	-	219.312
Provisions	3.942	-	-	108	4.050
Deferred tax liability	911	-	-	-	911
Other non-current liabilities (net)	-	-	-	1.029	1.029
Total liabilities	**468.733**	**399.843**	**23.351**	**25.467**	**917.394**
Net balance sheet position	**(105.268)**	**(200.156)**	**(311)**	**16.932**	**(288.803)**
Net position of derivative financial instruments	**134.774**	**27.716**	**-**	**-**	**162.490**
Net foreign currency position	**29.506**	**(172.440)**	**(311)**	**16.932**	**(126.313)**

The net foreign currency position of the Group at 31 December 2005 is negative TRY126.313 equivalent to EUR79.567.244.

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NOTE 30 - GOVERNMENT GRANTS

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

a) 100% exemption from customs duty on machinery and equipment to be imported
b) VAT exemption on purchases of investment goods from domestic and export markets
c) Exemption of taxes, dues and fees
d) 40% of research and development expenditures
e) Inward processing permission certificates (Note 31)

NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

Provisions

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

Commitments and contingent liabilities

a) Derivative financial instruments

	Contract value	Fair values Assets/(Liabilities)	
31 December 2006			
Foreign currency forward contracts	160.499	-	(1.749)
	160.499	**-**	**(1.749)**
31 December 2005			
Foreign currency forward contracts	162.490	1.329	(2.387)
	162.490	**1.329**	**(2.387)**

b) As at 31 December 2006, there are lawsuits against the Company in the amount of TRY4.520. The Company has not provided any provision for these lawsuits since legal processes are pending.

c) In connection with the inward processing permission certificates, the Group has committed to realise export sales amounting to USD452.940.000 in 2006 (2005: USD1.251.193.184).

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d) Commitments and contingent liabilities

	Currency	2006 Original Amount	TRY	Currency	2005 Original Amount	TRY
Mortgages given on property, plant and equipment regarding the IFC loan	EUR	50.689.376	93.851	EUR	50.689.376	80.469
Assigned receivables regarding the IFC loan	EUR	12.156.221	22.507	EUR	10.182.540	16.165
	GBP	1.937.953	5.343	GBP	3.528.414	8.158
	USD	-	-	USD	274.350	368
Bills of exchange given to suppliers (*)	USD	-	-	USD	56.575.200	75.913
Standby letters of credit	EUR	10.500.000	19.441	EUR	11.000.000	17.463
	USD	26.265.501	36.919	USD	31.172.200	41.827
Operational lease commitments (**)	EUR	3.461.500	6.409	EUR	5.552.477	8.815
	TRY	-	89	TRY	-	-
Floating charges	EUR	941.000	1.742	EUR	1.376.239	2.185
Guarantee letters given to customs for imports	EUR	2.000.000	3.703	EUR	2.000.000	3.175
	TRY	-	346	TRY	-	231
Guarantee letters given to Eximbank for imports loan	TRY	-	5.250	TRY	-	25.372
Guarantee letters given	TRY	-	8.690	TRY	-	8.477
	USD	289.360	407	USD	114.361	153
	EUR	81.500	151	EUR	-	-
Other	EUR	-	-	EUR	221.612	352
	TRY	-	2.173	TRY	-	-
			207.021			**289.123**

(*) Bills of exchange given to Ram Pacific for foreign trade payables (Note 9).
(**) Lease commitments of offices, warehouses and car rentals.

NOTE 32 - BUSINESS COMBINATIONS

There are no businesses combinations as at the balance sheet dates.

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NOTE 33 - SEGMENT REPORTING

Primary reporting format - Business segment

The Group is engaged in the production and sale of TV and computer. Since the products that the Group produces are not subject to different risks and returns, no distinguishable business segment has been identified.

Secondary reporting format - Geographical segment

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

Segment sales	**2006**	**2005**
Europe	1.235.992	1.412.672
Turkey	551.409	594.932
Other	18.510	17.549
	1.805.911	**2.025.153**

Segment assets	**2006**	**2005**
Turkey	1.186.853	1.189.504
Europe	209.364	243.523
Other	16.350	-
	1.412.567	**1.433.027**

Segment capital expenditure	**2006**	**2005**
Turkey	40.052	38.903
Europe	258	3.847
Other	5.968	-
	46.278	**42.750**

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

NOTE 34 - SUBSEQUENT EVENTS

In Board of Directors meeting on 29 January 2007, the Company decided to sell its Keysmart brand, the Keysmart distribution organisation and the information and communication technologies business to Arçelik A.Ş. for TRY20.000 except for the production of computers.

NOTE 35 - DISCONTINUED OPERATIONS

The Group has no discontinuing operations as at the balance sheet dates.

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NOTE 36 - OPERATING INCOME

	2006	2005
Domestic sales	576.390	614.357
Foreign sales	1.308.935	1.504.424
Gross sales	**1.885.325**	**2.118.781**
Less: Discounts	(79.414)	(93.628)
Net sales	**1.805.911**	**2.025.153**

NOTE 37 - OPERATING EXPENSES

	2006	2005
Research and development expenses	20.555	17.194
Selling and marketing expenses	198.888	219.302
General administrative expenses	58.837	61.383
Operating expenses	**278.280**	**297.879**

NOTE 38 - OTHER INCOME/EXPENSES AND PROFIT/LOSSES

Other income and profits

	2006	2005
Gain on sale of financial assets (*)	29.169	1.879
License income	4.223	1.319
Research and development incentive payments	2.126	1.589
Income from sale of brand (**)	1.326	-
Gain on sale of property, plant and equipment	440	1.313
Gain on sale of after sales service organisation (***)	-	49.104
Other	7.960	5.620
	45.244	**60.824**

(*) The Company sold its 0,70% share in Koç Finansal Hizmetler A.Ş. and 6,75% share in Ram Dış Ticaret A.Ş. for TRY50.660 and TRY912, respectively, to Arçelik A.Ş. at 28 December 2006. Additionally, the Company sold its 25% share in Ram Pacific Ltd. for USD1.125.000 equivalent to TRY1.654 on 27 November 2006.

The Company sold its 1,43% share in Entek A.Ş. to Mogaz Petrol Gazları A.Ş. at 30 December 2005 for EUR2.073.500, equivalent to TRY3.298.

(**) Income from the sale of the DigiFusion brand to Arducth B.V. for USD1.000.000 in the liquidation process of Fusion Digital.

(***) The Company sold its after sales service organisation to Arçelik A.Ş. at 26 December 2005 for a total consideration of EUR30.800.000, equivalent to TRY49.104.

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Other expenses and losses

	2006	2005
Bad debt expenses (Note 7)	34.819	18.033
Impairment on inventories (Note 12)	19.050	28.627
Loss on acquisition of subsidiaries	859	2.391
Impairment on goodwill	470	-
VAT paid for inventory damaged by fire	-	2.717
Other	2.333	4.053
	57.531	**55.821**

NOTE 39 - FINANCIAL INCOME/ (EXPENSES)

	2006	2005
Financial income		
Foreign exchange gains	57.659	68.050
Foreign currency forward income	33.529	1.829
Credit finance income	29.782	29.053
Interest income from bank deposits	5.796	9.436
Other	294	587
	127.060	**108.955**
Financial expenses		
Foreign exchange loss	(109.228)	(62.916)
Interest expense	(77.792)	(47.322)
Foreign currency forward expense	(15.978)	(2.387)
Credit finance charges	(4.786)	(4.676)
Other	(8.267)	(3.385)
	(216.051)	**(120.686)**
Financial expenses, net	**(88.991)**	**(11.731)**

NOTE 40 - NET MONETARY POSITION GAIN/LOSSES

With the decision taken on 17 March 2005, the CMB has announced that the application of inflation accounting is no longer required for companies operating in Turkey (Note 2).

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

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NOTE 41 - TAXES ON INCOME

	2006	2005
Corporate and income taxes (Note 23.a)	469	1.085
Prepaid taxes	-	-
Taxes payable, net	469	1.085
Deferred tax asset, net	(36.965)	(10.530)
	(36.496)	**(9.445)**

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

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

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

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

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

Germany	39,62%	Russia	20,00%
Netherlands	25,50%	United Kingdom	30,00%

The Company has utilised Corporate Tax Law No. 55205 exemption on sale of participation shares, property, preferential right certificates, share premiums and redeemed shares certificates for the profit from sale of its 0,70% share in Koç Finansal Hizmetler A.Ş. at 28 December 2006 and 25% share in Ram Pacific Ltd at 27 November 2006 in the amount of TRY8.756.

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

	2006	2005
Current	607	(1.022)
Deferred	26.589	15.411
	27.196	**14.389**

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NOTE 42 - EARNINGS PER SHARE

The losses attributable to each class of share for the years ended 31 December are as follows:

	2006	2005
Net loss attributable to ordinary shares	(127.870)	(82.038)
Weighted average number of ordinary shares in issue (TRY 1 each)	174.000.000	174.000.000
Loss per share (TRY)	**(0,7349)**	**(0,4715)**

NOTE 43 - CONSOLIDATED STATEMENTS OF CASH FLOWS

Consolidated statements of cash flows for the years ended 31 December 2006 and 2005 are presented within consolidated financial statements (page 5).

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

	2006	2005
Changes in provisions and accruals		
Warranty provision	18.821	19.009
Provision for employment termination benefits	(2.014)	(938)
Provision for doubtful receivables (Note 38)	34.819	18.033
Provision for impairment in inventory (Note 38)	19.050	28.627
Provision for sales expenses	1.575	14.834
Other expense accruals	840	3.334
	73.091	**82.899**
Changes in operating assets and liabilities		
Trade receivables and due from related parties	22.117	(34.818)
Inventories	(44.013)	(49.269)
Other short-term receivables and other current assets	(18.897)	28.618
Other long-term receivables and other non-current assets	27	14
Trade payables and due to related parties	(72.052)	92.606
Provisions and other short-term liabilities	(9.777)	3.539
Long-term provisions and other long-term liabilities	(65)	1.001
	(122.660)	**41.691**

NOTE 44 - DISCLOSURE OF OTHER MATTERS

There are no significant other matters that may have a material effect on the consolidated financial statements.

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