“This is my code: I live and prosper with my country.”

Vehbi KOÇ

BOARD OF DIRECTORS

RAHMİ M. KOÇ
CHAIRMAN

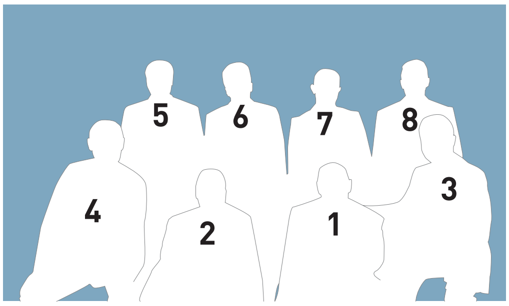
DR. BÜLENT BULGURLU
VICE CHAIRMAN

AYDIN İ. ÇUBUKÇU
BOARD MEMBER

TEMEL K. ATAY
BOARD MEMBER

YAĞIZ EYÜBOĞLU
BOARD MEMBER

MANAGEMENT



1.YAĞIZ EYÜBOĞLU
CHIEF EXECUTIVE OFFICER

2.TAMER SOYUPAK
CHIEF FINANCIAL OFFICER

3.EREM DEMİRCAN
CHIEF SALES & MARKETING OFFICER

4.A. ERCAN ŞENOLUR
CHIEF PRODUCTION OFFICER

5.Dr. TİBET MİMAROĞLU
CHIEF TECHNOLOGY OFFICER

6.ŞEREF SEZGİN
DIRECTOR (LOGISTIC)

7.S. HAKAN KAYABAŞI
DIRECTOR
(PURCHASING)

8.OSMAN N. DEVELİOĞLU
DIRECTOR
(STRATEGIC PLANNING)

IKE TANABE
R&D DIRECTOR

AUDITORS

SERKAN ÖZYURT
AUDITOR

FATİH EBİÇLİOĞLU
AUDITOR

BOARD REPORT

MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

I am pleased to welcome you to our Shareholders General Meeting, where we will analyze and reach a decision on the activity results of the year 2005.

2005 was a difficult year for both our sector and our company. Although this has caused our growth rate to slow somewhat, it has also allowed us to reevaluate our processes and the organization of the company, and to increase our productivity.

During 2005, our Chief Executive Officer, as well as our Chief Financial Officer, Chief Purchasing Officer, and Chief Production/ R&D Officer left the company. New colleagues have replaced them, initiating the mentioned changes.

Today, with production of nearly 6 million units, Beko Elektronik is continuing on its path of growth as the second biggest TV production company in Europe.

The main strategies that will be adopted by our company in 2006 are as follows:

- The shares of Original Design Production (ODP), our brand's sales, and the production activities for another brand called OEM, will be increased.
- Providing our customers with not only production, but also a wide range of services from design to R&D.
- Expanding into new spheres of activity as a result of growth and brand marketing: Standing by the customer by offering a wider range of products in information and telecommunications technology, or ICT as we call it.
- Expanding into new geographical areas: A perfect example is our investment in a TV factory in Russia, which is expected to start production in 2006.

As our strategies indicate, Beko Elektronik is continuing resolutely on its path to becoming one of the major players in the world in the consumer electronics sector.

Our company's consolidated revenues in 2005 totaled 1.4 billion Euros, while our market share in Europe reached 16 %.

We continue to hold a strong position in the domestic market with sales of more than 1 million units and a market share of 33 % in 2005. Our domestic sales totaled 375 million Euros, increasing by 4.8 % compared to the previous year.

Our Grundig investment made in 2004 in 50/50 partnership with the British company Alba Plc began to produce the expected positive results. Grundig's market share which had declined to 4 % on a unit basis as of year-end 2003, reached 9 % at the end of 2005, a time when the market was stagnant, proving the strength of its brand even in difficult market conditions.

Our company made 34.2 million Euros worth of investments in 2005. With those investments:

- 44 thousand m^2 of indoor space was created, and fictitious, product and supply depots that were previously rented were included within the campus.
- LCD/PDP flat TV production capacity was increased from 750,000 to 2 million units per year.
- The product range was extended through R&D investments in 72 new TV designs, 65 adaptation projects and 4 non-TV designs. Quality systems and IT investments have also created better quality, observable and controlled production.

Our company is also changing the direction of its investments in human resources to increase the number of R&D engineers on staff.

Dear Shareholders,

Prepared in accordance with the 2005 CMB (Capital Markets Board) Accounting Standards and audited by Başaran Nas Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Pricewaterhouse Coopers), our company's financial statements are presented for your information and approval, as they appear in the activity report.

We are expecting that our financial results will improve again in 2006, with new investments becoming operational and cost saving measures beginning to yield results.

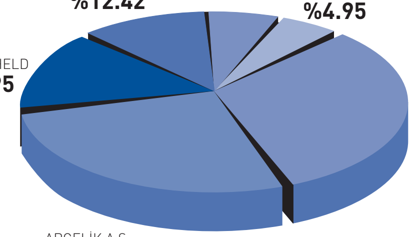
We would like to take this opportunity to thank all the individuals and organizations that have been of assistance to us in the year 2005, and to respectfully greet the general assembly, wishing the year 2006 to be a better and more productive year for our country and our company.

Sincerely,

Rahmi M. Koç
Chairman of the Board of Directors

OUR SHAREHOLDING STRUCTURE

Our principal shareholders are Koç Holding A.Ş., Arçelik A.Ş. and Beko Ticaret A.Ş. 20 % of our company's shares are publicly traded on the ISE secondary market.



There was no capital increase during the year 2005.

SHAREHOLDING STRUCTURE (2005)

TITLE	SHARE AMOUNT (THOUSAND YTL)	SHARE PERCENTAGE %
Koç Holding A.Ş.	57.200	32.87
Arçelik A.Ş.	38.910	22.36
Beko Ticaret A.Ş.	21.614	12.42
Koç Holding A.Ş. Pension Fund	12.968	7.45
Publicly Held	34.714	19.95
Other	8.594	4.95
Total	174.000	100

SALES FIGURES AND PRODUCTIVITY

In 2005, our TV sales totaled 5,444,368 units. On a unit basis, exports constitute 81 % of our sales. Following are the sales volumes of the last 2 years on a unit basis.

Sales Volumes

UNIT	2005	2004	% Change
TV-Domestic	1.045.018	1.059.156	% -1.3
TV-Export	4.399.350	5.908.487	% -25.5
Cash Register	65.354	108.845	% -40.0
PC	94.573	59.732	% 58.3
Monitor	115.854	102.517	% 13.0
STB (Receiver)	350.489	516.854	% -32.2

Due to the transition from analog (CRT) to digital (LCD, PDP) technology in production, a minimal decrease was experienced in our sales volumes occurred. However, our revenue continued to increase.

The man- hours required to produce a TV on our production lines was 0.75 hours in 2005, compared to 0.87 man-hours/TV in 2004. With projects focused on quality, currently being implemented, we aim to reduce this number further and achieve zero-defect production.

Beko: A Growing Company in a Changing World

Today, Beko Elektronik is the second largest TV manufacturer in Europe, where most of its exports are sold. With modern and flexible production technologies, a well-developed marketing and distribution network, and a strong R&D staff in software and design, our company offers products of increasing variety and quality for a customer portfolio over. Providing services that range from world class production to industrial and electronic design for many famous brands, Beko Elektronik also drives its growth strategy by successfully managing of its own portfolio of historical brands. Our market share in Europe, which was approximately 3 % at the beginning of 2000, has now reached 16 %.

RISING MARKET SHARE

Despite increasing competition, our company maintained its strong position in the domestic market with a 33 % market share in 2005.

2005 was a year of stagnation for our sector, as well as for our company. Our export market share, which is the locomotive force in our growth strategy, has somewhat decreased, along with our domestic market share. Sales to Europe constitute almost 99 % of our product exports. Our market share in Europe, which was 20 % at the end of 2004, declined to 16 % at the end of 2005. The development of our market share over the last three years is given below.

PAZAR PAYI GELİŞİMİ

PRODUCT	2005	2004	2003
TV (Domestic)	33%	42%	42%
TV Export (Europe)	16%	20%	15%
Cash Register	43%	41%	55%

PRODUCTS

Greater Variety of Products and Models in the Digital Arena

As a result of the high speed of innovation and change in visual technologies, which is one of the most defined characteristics of our sector, diversity can be observed in consumer trends and demands. Benefiting from economies of scale, with its yearly production capacity of up to 8.5 million units of TV as of the end of 2005, our company can also offer its customers a great variety of products and models with its strong technological production and R&D infrastructure.

At a time when the sector is making a rapid transition from analog to digital technology and from tube to panel display equipment, reflecting changes in broadcasting, Beko Elektronik is developing and expanding its product range for the digital age. Our product range consists of analog TVs, LCD TVs, Plasma TVs, Digital TVs, PCs, Notebooks, Monitors, Servers, Handsets, STBs, music and video players, home theater systems and electronic cash registers. Products supporting digital broadcasting, which we began offering prior to 2005, were developed and expanded in 2005 on a model as well as series basis. Just as in previous years, we again increased the number of models this year, giving our customers 68 new models to choose from. We now have 175 different models of Conventional TVs and 77 models of LCD and Plasma TVs. In addition to these, new generation "hybrid products" like CRT-DVD combos and LCD-DVD combos have been added to our product range. We also added 48 non-TV product models in 2005.

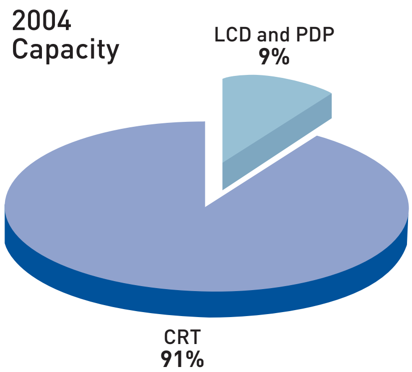
The number of products in our expanding ICT section has also increased dramatically. This increase in our product range is fully reflected in revenue. Growth is expected in the coming years in this profitable line of business, which generated revenues of $139 million in the year 2005.

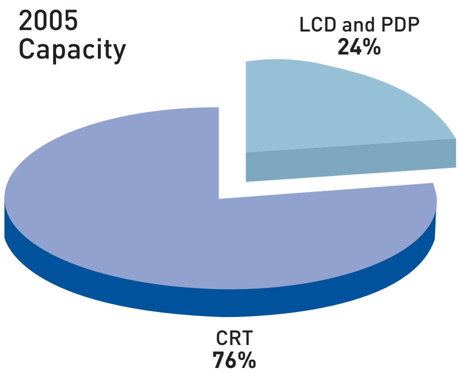
Products in new business areas, such as pay-at-the-pump terminals and cell phones, have also been put on the market.

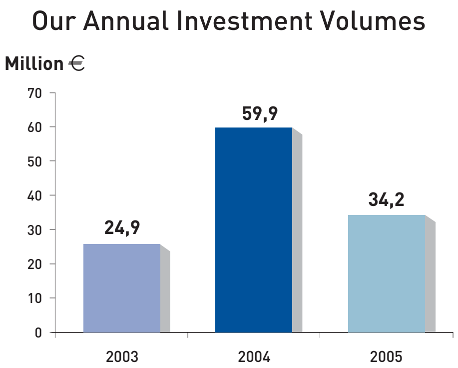
OUR INVESTMENTS

Investments in Capacity Expansion:

Our company continued to expand in 2005, investing a total of 34.2 million Euros during the year. With additional production liner for new products other than conventional TVs, LCD and Plasma TV production capacities increased to 2 million units/year in 2005. A construction project was also launched to build a new 44,000 m^2 electronics factory. The growth of our capacity in the last two years and our total investments in the last three years are as follows.







International Investments:

In 2005, we started the construction of a factory in Russia in accordance with our strategy to become a global company and increase our market share. Expected to be completed in the final quarter of 2006, our investment will have a TV production capacity of up to 700,000 units per year. To be built on 10,000 m^2 of enclosed space in the Vladimir region of Russia, our factory will mainly produce CRT and LCD TVs, with the aim of increasing our market share to above 10 % in two years. One of the production lines currently installed at our Beylikdüzü factory is being moved to Russia.

We expect the plant, which is being built near Moscow, to create additional revenue of more than $100 million for our company in its second year of operations. Consisting of sales that mainly for our own brands, this revenue will also improve export profitability. Russia and the CIS countries are expected to reach the size of the European market in 10 years, and this is the first investment project in this region, which has relatively low penetration and high profitability.

Drawing on lessons learned in 2005 when vertical integration emerged as a serious issue, our company is evaluating strategic partnership opportunities with important component producers and creating a new forward-looking agenda.

STRONG R&D

The prevailing trend in consumer electronics is the process of rapid conversion from analog to digital technologies. After achieving the capability of creating its own products in both hardware and software in analog technologies, Beko Elektronik quickly developed its infrastructure in digital technologies as well, achieving the capacity to produce the software used in its products, as well as software that can be sold as a stand-alone product.

Our young and dynamic R&D staff are working to create, develop and timely offerings for the market, products that are fast, meet consumer requirements and have strategic and cost advantages, backed by the superior software that is our biggest asset.

R&D Investments

Our R&D activities are conducted in three main centers staffed by more than 200 young, dynamic engineers.

Our R&D centers;

*Beylikdüzü, İstanbul
*İzmir
*Nürnberg, Germany

Located in our Beylikdüzü plant and conducting research in the three main areas of mechanical, electronic hardware and software design, our R&D department works to create conventional TV, LCD/Plasma TV, STB, DVD/HD - R/W designs and meet special customer needs.

Our R&D department in Izmir is focused on digital product development, design and software activities.

Our R&D department in Nürnberg, Germany conducts its activities within the Grundig organization, specializing in the areas of electronic analog and digital design.

OUR TOTAL QUALITY JOURNEY:
PRODUCTION QUALITY – PRODUCT QUALITY – PRODUCTIVITY

Adopting continuous improvement as corporate policy, Beko Elektronik has again taken major steps in 2005 in implementing environmentally and socially conscientious that will carry production and quality processes towards excellence and ensure levels of satisfaction that exceed consumer expectations.

In 2005, 570 Kaizen projects conducted by the production staff during in the areas of productivity, quality, cost and job safety have created significant potential and net revenue for the company.

Our basic corporate policy is "Overall Perfection and Continuous Improvement." The essence of the implementation of this basic policy is with all staff members contributing to plan, develop, produce and put on the market as quickly as possible, products and services that will meet consumer needs and expectations at the highest possible level. Quality and dependability are indispensable requirements for long-term, successful relationships with our customers.

All the activities of our company are certified and continuity is insured with the Quality Management System, in accordance with the ISO 9001:2000 Standard.

The quality and dependability of all the products and services developed and produced by Beko Elektronik, accordance with legal regulations and customer satisfaction are of primary importance. These principles are strictly observed by all staff members, as well as by management.

Our quality efforts are not limited to production. Beko Elektronik has instituted the quality principles in all its processes. During the year 2005, a management structure was created in accordance with the British Retail Consortium (BRC) Standard that regulates all the processes from customer order to the delivery of the product and meets all the requirements for these processes. BRC standard certification was received following a rigorous inspection.

All management systems regarding our production area and our sector have been implemented. Those systems have been inspected and certified by independent international auditing companies. The continuity of the system and of the related system certificates is ensured with periodic interim inspections made by those companies' auditors.

OUR CERTIFICATES

Year 1983 - Began Quality Circles training and initiatives
Year 1989 - Started work on ISO 9001
Year 1991 - ISO Quality System Certification – SGS Yarsley
Year 1992 - ISO Quality System Certification – TSE
Year 1993 - Started work on BS 7750 Environmental Management System
Year 1994 - SGS Yarsley - BS 7750 Environmental Management System Certification and the Green Dove Award, making it the first company in Turkey in any sector to earn this distinction and the first company in the electronics industry worldwide to do so.
Year 1995 - The first company in Turkey to receive the TSE - ISO 14001 Environmental Management System Certification
Year 1997 - BS 7750 Certification converted to ISO 14001 Certification by SGS Yarsley
Year 1999 - TUSIAD-KalDer Quality Award of Merit
Year 1999 - ISO Environmental Grand Prize
Year 1999 - Started work on Workers' Health and Job Safety (WHJS) Management System Standard. Created our WHJS policy (OHSAH 18001).
Year 2001 - ISO 9000:2000 Quality Management System Certification - SGS Yarsley and TSE
Year 2001 - AQAP-110 Industrial Quality Insurance Certification - Ministry of National Defense
Year 2001 - TPM Prize of Excellence
Year 2003 - OHSAS Workers' Health and Job Safety System Certification - SGS Yarsley and TSE
Year 2004 - SA8000 Social Responsibility System and Certification - SGS Yarsley
Year 2005 - BS7799 Information Security Management System and Certification - SGS Yarsley
Year 2005 - BRC (British Retail Consortium) Standard and Certification

OUR AWARDS

RED DOT

The Grundig Vision 26 LCD TV, specially designed for the Grundig brand that was added to our product portfolio last year, received the "Red Dot" Design Award, one of the most prestigious industrial design awards in the world.

With a design that brought together technology, originality and elegance, the Grundig Vision 26 LCD TV, a creation of the Beko Elektronik Industrial Design Section, received the highest honors at the Red Dot Design Awards, where world famous brands have been competing for half a century and a total of 1,857 designs from 36 countries were competal in various product categories this past year.

Our design will be exhibited for 1 year at the Red Dot Design Museum at the Institute Center, which is the largest contemporary design museum in the world.

WHAT HI-FI

WHAT HI-FI magazine, one of the most important Consumer Electronics magazines published in UK, has awarded the prize for the year's best PVR to one of our company's products, which has product code A1P.

OUR AFFILIATES

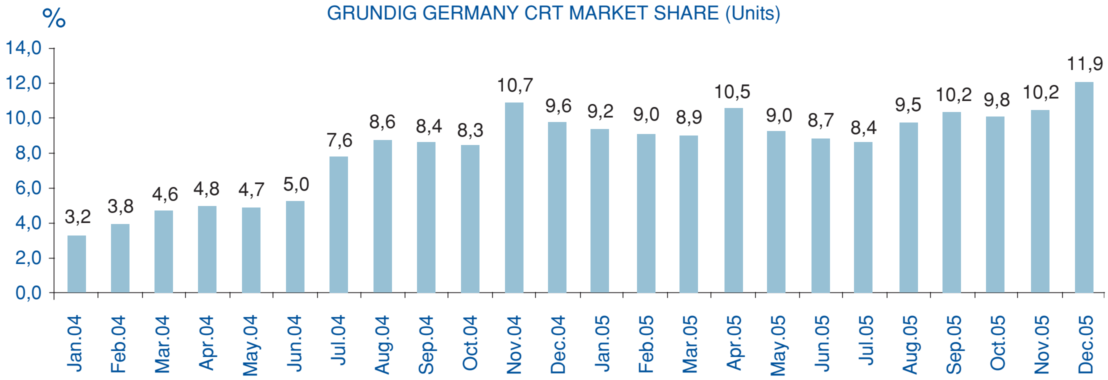
TITLE OF PARTNERSHIP	NATURE OF ACTIVITY	PARTICIPATION AMOUNT (THOUSAND YTL)	SHARE RATIO
OUR LIQUID FINANCIAL ASSETS			
Koç Finansal Hizmetler A.Ş.	Financial Services	45.361	0.7 %
Koç Tüketici Finansmanı ve Kart Hizmetleri A.Ş. ("Koç Finans")	Consumer Financing	6.056	7.5 %
Ultra Kablolu	Broadcast Transmission	1.901	7.5 %
Ram Dış Ticaret A.Ş.	Foreign Trade	906	6.8 %
Nacionalis - Importaçao, Expartaçao e Serviços, Lda.	Distribution	14	30.0 %
Grundig Intermedia Trgovina, d.o.o., Ljubljana	Distribution	6	100.0 %
Gesellschaft für Unterhaltungs-und Kommunikationselektronik GmBH	Distribution	5	7.1 %
OUR AFFILIATES			
Ram Pacific Ltd.	Purchasing	1.370	25.0 %
PARTNERS SUBJECT TO CONSOLIDATION			
BekoDutch B.V.	Consumer Electronics		100.0 %
Fusion Digital	Digital Product Design and Sales		95.0 %
Grundig Multimedia B.V.	Display & Audio Product Sales		50.0 %

Bekodutch B.V. was founded in Holland in 2005, with all of its capital provided by Beko Elektronik. The shares of Entek A.Ş., where we had a share ratio of 1.43 %, were sold to Mogaz Petrol Gazları A.Ş. for 2,073,500 Euros.

GRUNDIG

Brand building and brand management constitute our company's basic strategy for becoming one of the worlds electronics companies. The main objective of our growth strategy is to reposition the Grundig brand, already recognized in Europe and worldwide, and to turn it into a global brand recognized and preferred around the world. Grundig sales and after-sales service organizations in various European countries, R&D and German shares were acquired in 2004, along with the Grundig brand.

Bought in 50/50 partnership with our English partner Alba Plc., Grundig increased its market share in Germany from 4.7 % (May 2004) to up to 9 % (December 2005) with new marketing, brand positioning and distribution strategies implemented since May 2004, when it was transferred to our partnership. This has made Grundig the second biggest TV brand in Germany, which is one of the largest markets in Europe.



The new sales strategies were implemented immediately after the purchase of the company. At the end of summer 2004, the sales system in Germany was reorganized and the restructuring process of the international sales organizations located in various European countries was accelerated. Logistic improvement work was also conducted simultaneously, receiving help from academic circles. The Grundig marketing and brand positioning operations were supported by the newly developed communication strategy.

With the implementation of new marketing and distribution strategies and the construction of a more innovative structure where new trends are monitored, the market share of Grundig has been showing a rapid increase in Germany and all over Europe.

While forming its growth strategy with its own brands, Beko Elektronik is aiming to make a name for itself in the middle and upper segments of consumer electronics in Europe by using the Grundig brand in particular, and then reach customers in a wide range of products by managing this brand worldwide. We are expecting Grundig to create additional value for our company at an increasing rate in terms of revenue, activity and net profitability in the year 2006 and afterwards.

OUR OTHER PRODUCTS

INFORMATION AND COMMUNICATION TECHNOLOGIES (ICT)

The mission of the Beko ICT Product Group Management, which began operations as a division of Beko Elektronik in September 2002, is to track and implement the changes in the Information and Communication Products sector and ensure delivery of technology products by the manufacturer to the consumer in the most effective and dependable way. Our objective is to become a major player in the domestic IT market, which has a worldwide volume of US$ 2.5 billion .

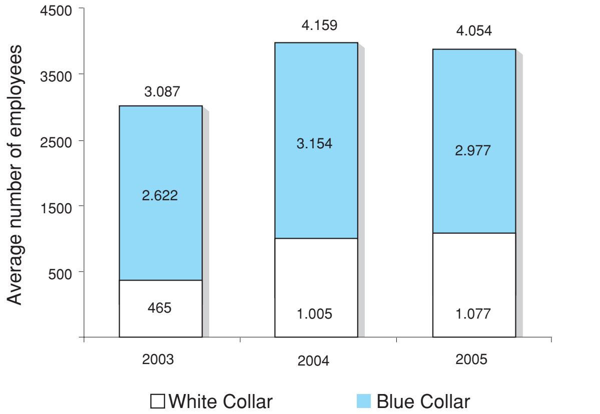
With its mission of quickly delivering state-of-the-art, convenient and dependable products and services that exceed customer expectations in a changing world, Beko Elektronik also ensures that the manufacturer delivers technology products to the consumer in the most effective and dependable way in the ICT sector. Beko Elektronik makes a principle of offering its wide product range to the consumer at competitive prices and providing quality service not only during, but also after the sale. Its objective is to ensure complete customer satisfaction, becoming a symbol of dependability, continuity and responsibility for its customers, dealers and suppliers.

Beko Elektronik, which is the Turkish distributor of leading ICT product brands, as well as of Koç group brands like Beko, Arçelik, and Keysmart, manufacturing and selling PCs, Laptops, Monitors, Digital Cameras, PDA, Memory Sticks and UPSs, generated sales revenues of 139 million USD from ICT products as of year-end 2005. Sales revenues of 164 million USD are targeted for 2006.

Its distribution channel structure consists of franchised dealers of Keysmart, based on the franchising model it is building for its own brand, non-franchised dealers active in the sector, retail chains and hypermarkets. As of the end of 2005, the ICT product sales channel consists of 133 franchised Keysmart dealers, 620 non-franchised dealers, electronics chain stores and corporate channels. It is expected that the number of franchised dealers of Keysmart will reach 200, and the number of non-franchised dealers will reach 900 by the end of 2006.

OUR STAFF, SOCIAL RESPONSIBILITY AND THE ENVIRONMENT

In 2005, the consolidated average number of our staff members was 4,054. Those 1,077 of were white collar and 2,977 were blue collar employees.



	2003	2004	2005
Revenue per Person (Thousand €)	227	296	341

Our business complies with the provisions of the Collective Bargaining Agreement signed between MESS and the T. Metal Labor Union on November 12, 2004, covering the period from September 2004 to August 2006.

Various social facilities are available to our staff members within the Campus. The Health Services Unit where common health tests are performed, the Dental Unit where staff members can receive dental care during work hours, the Day-Care Center with a 70 child capacity, our cafeteria catered by Divan Pub and Divan Café, and our mini mall unisex hairdresser, flower shop, jewelry store, tailor, dry cleaning and a Shoeshine shop, aim to meet our staff's needs and increase their motivation.

Beko Elektronik is the first company in the sector to receive the OHSAS 18001 Workers' Health and Job Safety Management System Certification from the TSE and SGS Yarsley. Our company has been certified by both organizations for workers' health and job safety measures that have been implemented for many years in order to achieve our goal of "zero job accidents." Our company has also developed a structure that meets the SA8000 Social Responsibility standard and has received the SA8000 Social Responsibility Compliance Certification after an inspection by SGS Yarsley.

CORPORATE GOVERNANCE COMPLIANCE REPORT

Open public companies are obey to comply with the "Corporate Governance Rules" which are empowered by Capital Markets Board (CMB) of Turkey decree 35/835 and dated 04.07.2003. Furthermore these Corporate Governance Rules which reveal the administration quality are adopted and applied fully in our company.

All open public companies must declare Corporate Governance Rules in their financial statements and internet sites since 2004. Accordingly Beko Elektronik A.Ş. denoted its consistency to below written principles.

SECTION 1 – SHAREHOLDERS

1. Investor Relations Unit

An Investor Relations Desk was formed within Finance Department; Investor Relations activities are carried out through Relations Desk at Finance Department, which, in turn, reports to the Vice President responsible for Finance.

Below, we present the persons responsible for Investor Relations at Beko Elektronik A.Ş.

Tamer SOYUPAK - CFO
0212 872 20 00 – 4000
tamer.soyupak@beko.com.tr

Ömür ÖZÜPEK - Finance Manager
0212 872 20 00 – 4300
omuro@beko.com.tr

So many information requests and transactions of the shareholders were replied and completed in 2005. Our Investor Relations Team met with so many domestic and foreign shareholders/potential shareholders and informed them about Beko Elektronik A.Ş. Organized by Koc Invest, Analyst Meeting staged in 2005 attracted 20 representatives from brokerage houses and funds, whereby investor community had the opportunity to listen the upper management at the first hand and exchange ideas.

2. Shareholder's Access to Information

Apart from the transactions conducted at the company's headquarters, the number of brokerage houses, funds and individual investors for information hovered around 50. Our internet site covers all necessary information about our company. Our Investor Relations page also covers the announcements made to the Regulators. No special request as to assigning special auditor was forwarded to our company in 2005.

3. Information about the General Assembly

Our 2004 General Assembly meeting, where Beko Elektronik's 2004 results were approved was held on April 8th, 2005 at Divan Oteli, Elmadağ / Istanbul. The gathering was realized with majority. There were individual shareholders and press representatives among the participants. The announcements regarding the date, place and agenda of the meeting had been published in two daily national newspapers, Trade Register Gazette coupled with the announcements made to the Regulators. Also, 2004 Annual Report had been ready at the company's headquarters 15 days prior to the meeting date. The questions regarding the company's activities and prospects were replied by the upper management during the meeting. No suggestion was forwarded by the shareholders throughout the meeting.

4. Voting and Minority Rights

No preferred shares are available. Our major shareholder, Koç Holding A.Ş., has stakes in Arçelik A.Ş. and Beko Ticaret A.Ş. which are other major shareholders of Beko Elektronik A.Ş. Minority shares can be represented in the General Assembly meeting either directly or through proxies. No cumulative voting practices are available. Major shareholders (Koç Group) has close to 80% stake in the company.

5. Dividend Distribution Policy and Ex-dates

The dividend distribution policy is consistent in benefits of for the shareholders and the company. Unless no change in regulations and planned capital expenditure, the long term average of distributed dividend, submitted by the Board of Directors to the General Assembly for approval, will not be less than % 50 of annual distributable profit of the company. Dividend distribution shall be either in cash or bonus issue.

There is no privilege in the Articles of Association regarding to any kind of advance or normal dividend distribution.

6. Share Transfer

No restrictions regarding to the share transfer exists in the Articles of Association

SECTION II – INFORMATION DISCLOSURE AND TRANSPARENCY

7. Information Disclosure Policies

Information disclosure is conducted within the context of laws, regulations and decrees of the Turkish Capital Markets Board.

8. Announcements to the ISE and the CMB

The number of announcements to the Istanbul Stock Exchange (ISE) totaled 24.

9. Company's Internet Site and Its Contents

Our internet site is www.bekoelektronik.com.tr. Investor Relations page in our site includes information prescribed in the Corporate Governance Rules put forward by the Capital Markets Board (CMB) of Turkey.

10. Disclosing the Real Person Main Shareholders

The information regarding the shares (direct and indirect) of Koç Family members were publicly disclosed. Those information took place in several prospectuses, as an requirement of the CMB, prepared for the rights issues in recent years. One can access those documents in our web site and company headquarters.

11. Disclosure of the Key Personnel

The Board Members, President, Executive Vice President and other authorized managers are registered in the Trade Registrar. The related Board's decisions were publicly disclosed. Moreover, people responsible for the Investor Relations were informed to the ISE and the CMB.

SECTION III – PARTIES HAVING INTEREST WITH THE COMPANY

12. Informing the Parties having Interest with the Company

Majority of the blue collars are the member of the Labor Union. The Labor Union has an office and a representative in our premises. This system enables a more rapid and healthier employer – employee relationships. We are also in close relations with our suppliers, whereby suppliers' feedbacks are swiftly incorporated into the production process. Our Investor Relations Desk is responsible for replying shareholders' questions and carrying out stock-related issues. Public announcements are conducted swiftly and properly pursuant to the CMB Regulations.

13. Joining in to the Decision Making Process

All parties who have interests can access to our communication channels and convey their feedbacks via those channels.

14. Human Resource Policies

Our human resources policies are carried out parallel to the Koç Group Practices. Our mission is to create an efficient working environment through efficient human resources applications to induce a self-satisfied and proud working force. Our main strategies to achieve this mission;

Employment to increase the Company's competitive edge,
Creating a plateau where continuous learning and personnel development can flourish,
Forming career opportunities based in performance and competencies,
Bringing change and progress focused culture in to the organization.

15. Information Regarding Customers and Suppliers

Marketing, sales and after-sale services are conducted in a complementary quality concept to maximize customer satisfaction. Project teams formed with the participants of different departments, study on how to bring solutions to the customer complaints in the production process.

16. Social Responsibility

Our company is committed to use technologies and processes that have no negative impact to the environment. Our employee and working environment security program can be accessed in our web site. Conducting socially responsible activities and projects within our neighborhood, joining in environment protection programmes are among our social environment endeavors. There have been no files or complaints filed against our company about environment and social issues.

SECTION IV – BOARD OF DIRECTORS

17. The Structure of the Board of Directors and the Independent Members

Beko Elektronik's Board of Directors consists of 5 persons, one chairman, one vice-chairman and three members. Our view chairman in the Board also heads the Consumer Durables and Construction Group of Koç Holding. Additionally our CEO is also a Board member. There is no independent member in our Board of Directors. The Chairman of the Board of Directors, Mr. Rahmi M. Koç is also one of the major shareholders of Koç Group. Other members have either working/worked or been a shareholder in Koç Group Companies. The members may also be the Board of Directors of other Koç Group companies.

18. Features of the Board of Directors and the Independent Members

As stated in the Articles of Association, the members of the Board of Directors have extensive experience either in state and/or private sector, have management and industrial expertise and hold at least B.S. degrees.

19. Company's Mission/Vision and Strategic Targets

Company's mission/visions are mostly announced to the public through press and other vehicles. Those missions/visions are formed by the upper management, yet the feedbacks obtained in the strategy meetings periodically held within the company contributed to the decision making progress. Throughout the mission/vision forming process, the members of Board of Directors are frequently informed. The missions and related targets are periodically monitored and measured. Different measuring tools are used to scale the performance on periodic basis through monthly to annually.

20. Risk Management and Internal Control Mechanism

An internal auditing department was formed within the company. This department conducts auditing of all processes based on risk and productivity. The reports generated following those audits are presented to the upper management. Moreover, the Company is audited by the Holding Auditor on quarterly basis. Those auditors' reports are presented to the Board of Directors.

21. Responsibilities of the Board of Directors

The responsibilities of the Board of Directors and the upper management are clearly identified in the Articles of Association.

22. Working Procedures of the Board of Directors

In the meetings of the Board of Directors, the agenda is ascertained based on the company's needs. The secretarial mechanisms for calling up such meetings are available. Each opposite views could be voiced in the meetings and are documented. The meeting minutes are dispatched to the related persons and departments. The adverse idea and views are reflected in those minutes.

23. Restrictions Regarding with Doing Business with the Company

The members of Board of Directors have no business relationship with the company and have no competitive interest against company whatsoever.

24. Ethics

Ethical rules are implemented within the context of human recourse applications and Koç Holding Ethical Procedures. Those rules were not previously disclosed to the public.

25. The Committees with the Board of Directors

An auditing committee formed by two members of the Board of Directors is available pursuant to the CMB regulations. This committee gathers on quarterly basis and prepares report on the company's quarterly financial results for the Board of Directors. There is no other committee formed within the Board of Directors.

26. Financial Benefits to the Board of Directors

The financial remuneration of the Board of Directors is determined at the General Assembly Meeting of the company gathered on annual basis. Our shareholders' approved the monthly salaries, 1.000 YTL, of the Board of Directors at the last General Assembly Meeting held on April 8th, 2005

BEKO ELEKTRONİK A.Ş. AUDITORS'S REPORT PRESENTED TO THE GENERAL ASSEMBLY HELD ON APRIL 5th, 2006

BEKO Elektronik A.Ş.
To the General Assembly;

We hereby present the results of our audits pertaining to the financial year of 2005.

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

2. The company maintained the necessary books and records pursuant to the Turkish Commercial Code and the related regulation and the document depicting the truthfulness of those records have been kept in an orderly manner.

3. In our opinion, the consolidated statements in accordance with the Capital Market Law (Communiqué; Series XI, Issue 25 and decree 11/367 announced at 20 December 2004) along with the financial statements prepared in accordance with the Turkish Tax Code, presently fairly; in all material respects, the financial position of Beko Elektronik A.Ş. and its operating results at 31 December 2005.

4. The decisions regarding the Company are properly recorded in the Company's Resolution Book.

We, therefore, present the consolidated financial statements in accordance with the Capital Market Law along with the financial statements prepared in accordance with the Turkish Tax Code, the Board of Director's proposal regarding the dividend distribution and the acquittance of the Board of Directors to the higher consideration of the General Assembly for approval.

Sincerely,

İstanbul, 16.03.2006

Serkan ÖZYURT

Fatih EBİÇLİOĞLU

AUDITOR'S REPORT FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2005

PRICEWATERHOUSECOOPERS

Başaran Nas Serbest Muhasebeci
Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers
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1. We have audited the accompanying consolidated balance sheet of Beko Elektronik A.Ş. ("the Company") at 31 December 2005 and the related consolidated statement of loss for the year then ended. Our audit was made in accordance with the auditing principles issued by the Capital Market Board ("CMB") and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

2. In our opinion, the consolidated financial statements, present fairly, in all material respects, the consolidated financial position of Beko Elektronik A.Ş. at 31 December 2005 and the results of its operations for the year then ended in accordance with accounting principles issued by the CMB (Note 2).

3. Additional paragraph for convenience translation into English:

The accounting principles described in Notes 2 (defined as "CMB Accounting Standards") to the accompanying consolidated financial statements differ International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respects to the application of inflation accounting and presentation of the basic financial statements and the notes to them. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

ZEYNEP URAS, SMMM
Istanbul, 14 March 2006


BEKO

FINANCIAL STATEMENTS

BEKO ELEKTRONİK A.Ş.
CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2005

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BEKO ELEKTRONİK A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER

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

	Notes	2005	Restated 2004
ASSETS			
Current assets			
Cash and cash equivalents	4	26.329	29.969
Marketable securities (net)	5	-	-
Trade receivables (net)	7	284.757	230.606
Leasing receivables (net)	8	-	-
Due from related parties (net)	9	424.422	460.107
Other receivables (net)	10	5.810	22.933
Biological assets (net)	11	-	-
Inventories (net)	12	349.973	329.331
Construction contract receivables (net)	13	-	-
Deferred tax assets	14	-	-
Other current assets	15	3.598	15.093
Total current assets		**1.094.889**	**1.088.039**
Non-current assets			
Trade receivables (net)	7	18	-
Leasing receivables (net)	8	-	-
Due from related parties (net)	9	-	-
Other receivables (net)	10	958	1.005
Financial assets (net)	16	55.619	24.715
Goodwill / negative goodwill (net)	17	-	-
Investment properties (net)	18	2.418	2.865
Property, plant and equipment (net)	19	244.291	244.788
Intangible assets (net)	20	23.479	24.653
Deferred tax assets	14	11.340	-
Other non-current assets	15	15	-
Total non-current assets		**338.138**	**298.026**
Total assets		**1.433.027**	**1.386.065**

The consolidated financial statements prepared as at and for the year ended 31 December 2005 were approved for issue by the Board of Directors on 14 March 2006 and signed on its behalf.

TAMER SOYUPAK
VICE PRESIDENT-FINANCE

MURAT ARGUN
FINANCE MANAGER

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

BEKO ELEKTRONİK A.Ş.
CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER

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

	Notes	2005	Restated 2004
LIABILITIES			
Current Liabilities			
Short-term financial liabilities (net)	6	158.069	264.409
Short-term portion of long-term financial liabilities (net)	6	126.877	50.442
Leasing payables (net)	8	-	-
Other financial liabilities (net)	10	-	-
Trade payables (net)	7	322.287	250.020
Due to related parties (net)	9	138.302	118.538
Advances received	21	-	-
Construction progress billings		-	-
Construction contracts acquisition value (net)	13	-	-
Provisions	23	21.489	8.450
Deferred tax liabilities	14	-	-
Other liabilites (net)	10	75.575	53.869
Total current liabilities		**842.599**	**745.728**
Non-current liabilities			
Long-term financial liabilities (net)	6	298.027	290.685
Leasing payables (net)	8	-	-
Other financial liabilities (net)	10	-	-
Trade payables (net)	7	-	-
Due to related parties (net)	9	-	-
Advances received	21	-	-
Provisions	23	17.277	11.548
Deferred tax liabilities	14	810	4.928
Other liabilites (net)	10	1.296	296
Total non-current liabilities		**317.410**	**307.457**
Total liabilities		**1.160.009**	**1.053.185**
MINORITY INTEREST	**24**	**(769)**	**(2.560)**
SHAREHOLDERS' EQUITY			
Share Capital	25	174.000	174.000
Unpaid Capital		-	(166)
Treasury Shares	25	-	-
Capital reserves	26	176.106	168.416
Share premium		344	-
Share cancellation gains		-	-
Revaluation fund		-	-
Financial assets fair value reserve		23.580	3.054
Inflation adjustment to shareholders' equity		152.182	165.362
Profit reserves	27	8.773	731
Legal reserves		-	-
Statutory reserves		-	-
Extraordinary reserves		8.693	-
Special reserves		-	-
Investment and property sales income to be added to the share capital		-	-
Translation reserve		80	731
Current year (loss) / profit		(82.038)	8.452
Accumulated deficit	28	(3.054)	(15.993)
Total shareholders' equity		**273.787**	**335.440**
Total shareholders' equity and liabilities		**1.433.027**	**1.386.065**
Commitments and contingent liabilities	31		

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

BEKO ELEKTRONİK A.Ş.
CONSOLIDATED STATEMENTS OF (LOSS) / INCOME FOR THE YEARS ENDED 31 DECEMBER

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

	Notes	2005	Restated 2004
Operating revenue			
Net sales	36	2.195.174	2.250.313
Cost of sales		(1.987.459)	(2.006.506)
Gross operating profit		**207.715**	**243.807**
Operating expenses	37	(297.879)	(227.143)
Net operating (loss) / income		**(90.164)**	**16.664**
Other income	38	60.824	7.755
Other expenses and losses	38	(55.821)	(2.053)
Financial expenses, net	39	(11.731)	(38.548)
Loss before monetary gain, taxes and minority interest		**(96.892)**	**(16.182)**
Monetary gain	40	-	19.050
(Loss) / income before taxes and minority interest		**(96.892)**	**2.868**
Minority interest	24	465	2.114
(Loss) / income before taxes		**(96.427)**	**4.982**
Taxes on income	41	14.389	3.470
Net (loss) / income		**(82.038)**	**8.452**
(Loss) / earnings per share (YKr)	42	(0,4715)	0,0486

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

	Capital Reserves				Profit Reserves						
	Share capital	Share premium	Inflation adjustment to shareholders' equity	Financial assets fair value reserve	Legal reserves	Extraordinary reserves	Special reserves	Translation reserve	Accumulated deficit	Net income/ (loss)	Shareholder's equity
Balance at 1 January 2004– previously reported	60.000	150	376.900	-	2.143	12.808	1	56	(249.958)	37.138	239.238
Change in accounting policy - IAS 39 (Note 2)	-	-	-	2.813	-	-	-	-	(2.813)	-	-
Balance at 1 January 2004 – as restated	60.000	150	376.900	2.813	2.143	12.808	1	56	(252.771)	37.138	239.238
Capital increase	87.000	-	-	-	-	-	-	-	-	-	87.000
Unpaid capital	(166)	-	-	-	-	-	-	-	-	-	(166)
Transfers	27.000	-	(13.820)	-	-	(11.551)	-	-	35.509	(37.138)	-
Accumulated deficit offset (Note 28)	-	(150)	(197.718)	-	(2.143)	(1.257)	(1)	-	201.269	-	-
Financial assets fair value increase	-	-	-	241	-	-	-	-	-	-	241
Currency translation differences	-	-	-	-	-	-	-	675	-	-	675
Net income for the year	-	-	-	-	-	-	-	-	-	8.452	8.452
Balance at 31 December 2004 – as restated	173.834	-	165.362	3.054	-	-	-	731	(15.993)	8.452	335.440
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 increase	-	-	-	23.491	-	-	-	-	-	-	23.491
Sale of financial assets	-	-	-	(2.965)	-	-	-	-	-	-	(2.965)
Currency translation differences	-	-	-	-	-	-	-	(651)	-	-	(651)
Net loss for the year	-	-	-	-	-	-	-	-	-	(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

(Amounts expressed in thousands of New Turkish lira (YTL) 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, audio equipment, electronic cash registers and other various household electronic appliances, and related after sale services. 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, Istanbul, Turkey.

The Company conducts a portion of its business with corporations that are members of the Koç Group. The Company's affiliates act as major distributors of the Company's products in Turkey (Note 9). The Company's export activities are conducted either by the Company itself or by Ram Dış Ticaret A.Ş., the export company of Koç Group.

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 2005, 19,95% of the total shares are quoted on the Istanbul Stock Exchange. At 31 December 2005, the principal shareholders and their respective shareholdings in the Company are as follows (Note 25):

	%
Koç Holding A.Ş.	32,87
Arçelik A.Ş.	22,36
Beko Ticaret A.Ş.	12,42
Other	12,40
Traded at Istanbul Stock Exchange	19,95
	100,00

On 7 May 2004, the Company purchased the patent, brand, research and development activities and related machinery, German stocks, European sales companies and service organisation of Grundig AG by establishing a 50% and 50% partnership with a UK based consumer electronics company, Alba Plc and invested into Grundig Multimedia B.V..

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

Average number of employees working for the Group is 4.054 (31 December 2004: 4.159).

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Accounting policies

The consolidated financial statements of the Company have been prepared in accordance with the accounting and reporting principles published by the Capital Market 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 with 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. The consolidated financial statements as of 31 December 2004 are expressed in the purchasing power of New Turkish Lira ("YTL") at 31 December 2004. These consolidated financial statements and the related notes have been 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 YTL based on Turkish Commercial Code and Tax Procedure Law. These consolidated financial statements, which are in accordance with the CMB Accounting Standards, are prepared in YTL based on the historical cost conversion except for the financial assets and liabilities which are expressed with their fair values.

2.2 Financial reporting in hyperinflationary periods

At 31 December 2004, the consolidated financial statements are expressed in terms of the purchasing power of YTL at 31 December 2004. As disclosed in "accounting policies" note, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for the companies operating in Turkey and preparing their financial statements in accordance with the CMB Accounting Standards. Therefore, inflation accounting was not applied commencing from 1 January 2005.

International Accounting Standard 29 ("IAS 29"), requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. The restatement of the comparative amounts are calculated by means of conversion factors derived from the Turkish nationwide wholesale price index ("WPI") published by the State Institute of Statistics ("SIS").

Indices and conversion factors used to restate the comparative amounts in consolidated financial statements until 31 December 2004 are given below:

Dates	Index	Conversion factors	Cumulative three-year inflation rate (%)
31 December 2004	8.403,8	1.000	69,7
31 December 2003	7.382,1	1.138	181,1

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

2.3 New Turkish lira

Through the enactment of the Law numbered 5083 concerning the "Currency of the Republic of Turkey" in the Official Gazette dated 30 January 2004, New Turkish lira ("YTL") and the New Kuruş ("YKr") have been introduced as the new currency of the Republic of Turkey, effective from 1 January 2005. The hundredth part of the YTL is the YKr (1 YTL=100YKr). When the prior currency, Turkish lira ("TL"), values are converted into the YTL, one million TL is equivalent to one YTL (1 YTL). Accordingly, the currency of the Republic of Turkey is simplified by removing 6 zeroes from the TL.

All references made to Turkish lira or lira in laws, other legislation, administrative transactions, court decisions, legal transactions, negotiable instruments and other documents that produce legal effects as well as payment and exchange instruments are considered to have been made to YTL at the conversion rate indicated as above. Consequently, effective from 1 January 2005, the YTL replaced the TL as a unit of account in keeping and presenting of the books, accounts and financial statements.

2.4 Translation of foreign subsidiary and joint venture financial statements

The assets and liabilities of the Group's foreign undertakings are translated into New Turkish lira at the closing rate and the income and expenses are translated into New Turkish lira at the average rate for the year. Exchange differences arising on retranslation of the opening net assets of foreign undertakings and differences between the average and period-end rates are included in the translation reserve under shareholders' equity.

2.5 Group Accounting

(a) The consolidated financial statements include the accounts of the parent company, Beko, and its Subsidiary, Joint Venture and Associate ("Group") on the basis set out in sections (b), (c) and (d). The financial statements of the foreign undertakings included in the consolidation have been prepared in accordance with the laws and regulations in force in the countries in which they operate with adjustments and reclassifications made to conform with CMB Accounting Standards and accounting policies and presentation formats applied by the 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.

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 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.

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

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

The table below sets out the Subsidiaries included in the scope of consolidation and shows its shareholding structure at 31 December:

	Direct and indirect control by Beko (%)	
	2005	2004
Fusion Digital Techology Ltd. ("Fusion Digital")	95	65
Bekodutch B.V. ("Bekodutch")	100	-

Fusion Digital, incorporated in the United Kingdom, undertakes the sales, marketing and research and development activities of digital set top box products.

The Company acquired the 30 % of the shares of Fusion Digital, in which the Company has 65% share, in exchange for 10.000 GBP on 26 June 2005 (Note 38). 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 2005 which are prepared on a liquidation basis have been consolidated.

Bekodutch, incorporated in the Netherlands, was established on 1 December 2005 to undertake the manufacturing, sales and marketing activites of consumer electronical appliances.

(c) Joint Ventures are companies in respect of which there are contractual arrangements through which Beko 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. According to this method, the Group includes its share of the assets, liabilities, income and expenses of each joint venture in the relevant components of the financial statements.

The table below sets out the Joint Venture and shows its shareholding structure at 31 December :

	Direct and indirect control by Beko (%)	
	2005	2004
Grundig Multimedia B.V.	50	50

The principal activity of Grundig Multimedia B.V., incorporated in the Netherlands, is development, procurement, sales and marketing of electronics products. The list of the subsidiaries which are consolidated in the Grundig Multimedia B.V.'s financial statements is as follows:

Grundig Benelux B.V., Netherlands
Grundig Australia Pty. Limited
Grundig Denmark 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

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

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

(d) Associates are companies in which the Company and its Subsidiaries have an attributable interest of 20% or more of the ordinary share capital held for the long-term and over which they exercise a significant influence. Associates are accounted for using the equity method. Equity accounting involves recognising in the income statement the Group's share of the associates' profit or loss for the year. The Group's interest in the associates is carried in the balance sheet at an amount that reflects its share of the net assets of the associates. Provisions are recorded for long-term impairment in value (Note 16).

The table below sets out the Associate and shows its shareholding structure at 31 December:

	Direct and indirect control by Beko (%)	
	2005	2004
Ram Pacific Ltd. ("Ram Pacific")	25	25

Ram Pacific, incorporated in China, is a foreign trading company.

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).

Available-for-sale investments in which the Group has attributable interests of more than 20%, which are immaterial for Beko's financial position, results of operations and net assets, are not included in the scope of consolidation.

(e) The Subsidiaries', the Joint Ventures' and the Associate's results of operations are consolidated from the date on which control is transferred to the Company.

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

2.6 Comparatives

Where necessary, comparative figures have been reclassified to conform with the presentation of the current year consolidated financial statements.

2.7 Changes in accounting policies and restatement of prior period financial statements

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 is 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.

2.8 Offsetting

Financial assets and liabilities are offset and reported in the net amount when there is a legally enforceable right, when there is an intention to settle the assets and liabilities on a net basis or when the acquisition of the assets and settlement of the liabilities are concurrent.

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

At 31 December 2005, the accounting principles described in Notes 2.1 (defined as "CMB Accounting Standards") to these 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, presentation of the basic financial statements and the notes to them. Accordingly, these consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

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.

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).

Financial assets

The Group classified its financial assets as "available-for-sales" 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 designation on a regular basis (Note 16).

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

Available-for-sale investments that do not have quoted market prices in active markets and whose fair values cannot be reliably measured are stated at cost less any provision for diminution in value.

Inventories

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

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment property

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

Investment properties are reviewed for 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. Recoverable amount of the investment property is the higher of the asset's net selling price or value in use.

Property, plant, equipment and depreciation

Property, plant and equipment are carried at cost less accumulated depreciation (Note 19). Depreciation is provided on acquisition costs of property, plant and equipment using the straight-line method based on the estimated useful lives of the assets, except for land. The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows:

Buildings and land improvements	25 years
Machinery, plant and equipment	6-10 years
Motor vehicles	4 years
Furniture and fixtures	4-6 years
Office equipment and computers	4-6 years
Leasehold improvements	5 years

Land has an infinite useful life and therefore is not depreciated.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

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

Intangible assets

Intangible assets comprise of the Grundig brand, patent and acquired software certificates. They are recorded at acquisition cost and acquired software certificates are amortised on a straight-line basis over their estimated useful lives for a year not exceeding 5 years from the date of acquisition. Infinite useful life is chosen for the brand and patent (Note 20). Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down to its recoverable amount.

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 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.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operational Leases

Leases in which important part 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.

Financial liabilities

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of loss over the year of the borrowings (Note 6).

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 accounted for as derivatives held-for-trading in the consolidated financial statements.

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

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

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. 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 expense, 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.

Employment termination benefits

Employment termination benefits represent the present value of the estimated total reserve of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labour Law (Note 23).

Foreign currency transactions and translation

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into 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).

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenues are recognised on an accrual basis at the time deliveries or acceptances are made, at the invoiced values of consideration received or are 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.

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.

Dividends

Dividends receivable are recognised as income in the year when they are declared. Dividends payable are recognised as an appropriation of profit in the year in which they are declared (Note 9 and 38).

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 23).

Share premium

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

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

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 treated as contingent assets or liabilities (Note 31).

Earnings per share

(Loss) / earnings per share for each class of shares disclosed in the consolidated statements of (loss) / income is determined by dividing the net (loss) / income attributable to that class of shares by the weighted average number of such shares outstanding during the year 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 each earlier year.

There are no bonus shares issued during the year.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

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 programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed by using natural hedges that arise from 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. 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 guarantees used in managing credit risk by the Group. In factoring applications, the Group, in case it is required, may prefer 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.

Fair value of financial instruments

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

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

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.

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

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Trade payables have been estimated at their fair values.

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. The carrying values of borrowings along with the related accrued interest are estimated to be their fair values.

NOTE 4 - CASH AND CASH EQUIVALENTS

	2005	2004
Cash in hand	113	3.789
Banks		
- demand deposits	15.729	15.653
- time deposits	8.162	9.749
Other	2.325	778
	26.329	29.969

The maturity period of time deposits is up to three months.

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

	2005 %	2004 %
YTL time deposits	15	24
Foreign currency time deposits	2,00–5	1,50–4

NOTE 5 - MARKETABLE SECURITIES

The Group does not have marketable securities.

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

NOTE 6 – FINANCIAL LIABILITIES

a) Short-term financial liabilities:

	2005			2004		
	Effective interest rate (%)	Original amount	Thousand YTL	Effective interest rate (%)	Original amount	Thousand YTL
Bank borrowings						
USD	Libor+0,50 – 1,15	56.938.999	76.401	Libor+1,33 - 1,65	28.681.252	38.493
EUR	3,00 – 3,09	7.550.000	11.986	EuroLibor+1,25 - 1,75	32.672.674	59.686
YTL	-	-	2.466	17 - 18	-	18.070
GBP	-	-	-	Libor+2,50	1.300.000	3.349
Letters of credit (*)						
USD		42.878.196	57.533		65.153.100	87.442
EUR		6.099.425	9.683		30.756.646	56.186
JPY		-	-		91.676.220	1.183
			158.069			264.409

(*) Letters of credit are used in the payment of the Company's trade payables.

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

	2005			2004		
	Effective interest rate (%)	Original amount	Thousand YTL	Effective interest rate (%)	Original amount	Thousand YTL
Bank borrowings						
USD	Libor + 2,00 – 3,50	40.942.298	54.936	Libor +3,00 - 3,50	5.566.591	7.471
EUR	Euribor + 0,75 – 2,20	33.363.706	52.965	EuroLibor+0,80 - 3,00	13.136.964	23.999
EUR (IFC loan)	Euribor + 2,95 – 3,20	10.539.794	16.732	Libor + 3,40 - 3,65	9.580.632	17.502
YTL	14,45 – 16,75	-	2.244	-	-	-
JPY	-	-	-	Tibor + 1,85 - 2,00	113.863.980	1.470
			126.877			50.442
Total short-term financial liabilities			284.946			314.851

c) Long-term financial liabilities:

	2005			2004		
	Effective interest rate (%)	Original amount	Thousand YTL	Effective interest rate (%)	Original amount	Thousand YTL
Bank borrowings						
EUR	Euribor+ 0,75 – 3,00	92.788.398	147.302	EuroLibor+0,80 - 3,00	76.833.952	140.360
YTL	14,45 – 16,75	-	78.715	-	-	-
EUR (IFC loan)	Euribor + 2,95 – 3,20	27.517.088	43.683	Libor + 3,4 - 3,65	37.799.792	69.053
USD	Libor + 3,00 – 3,75	21.111.112	28.327	Libor +3,00 - 3,75	60.555.555	81.272
			298.027			290.685

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

NOTE 6 – FINANCIAL LIABILITIES (Continued)

The Company has loans from International Finance Corporation ("IFC") in the amount of EUR 38.056.882. These loans are being used for financing of investments and working capital requirements.

The Company has loans from HSBC and Citibank in the amount of EUR 14.386.389 and these loans were used in order to buy the patent, brand, research and development activities and after sales service organisations of Grundig AG.

The Company has used loans in the amount of EUR 42.626.303 and YTL 78.715.000 from banks in the current period. These loans are being used for investments and working capital requirements.

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

	2005	2004
2006	-	82.162
2007	99.886	91.844
2008	167.714	83.840
2009	20.287	21.952
2010 and over	10.140	10.887
	298.027	290.685

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	2005	2004
Short term trade receivables:		
Trade receivables	283.851	226.822
Notes receivables	10.342	413
Cheques receivables	13.411	8.242
	307.604	235.477
Provision for doubtful receivables	(22.847)	(4.871)
Trade receivables, net	284.757	230.606

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

	2005	2004
1 January	4.871	5.547
Current year additions (Note 38)	18.033	-
Currency translation difference	(57)	(676)
31 December	22.847	4.871

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

	2005	2004
Long term trade receivables:		
Trade receivables	18	-
Trade receivables, net	**18**	**-**
Short term trade payables:		
Trade payables - import	201.785	152.696
Trade payables - local	120.981	98.378
	322.766	**251.074**
Unearned credit finance charges	(479)	(1.054)
	322.287	**250.020**

NOTE 8 – LEASING RECEIVABLES AND PAYABLES

As of 31 December, the Group does not have leasing receivables and payables.

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) Due from related party

	2005	2004
Arçelik A.Ş. ("Arçelik")	273.068	216.289
Ram Dış Ticaret A.Ş. ("Ram Dış Ticaret")	99.154	227.401
Grundig Multimedia B.V.	33.572	-
Koç Sistem Bilgi ve İletişim A.Ş. ("Koç Sistem")	13.871	3.051
Other	13.815	20.743
	433.480	**467.484**
Unearned credit finance income from related parties	(9.058)	(7.377)
	424.422	**460.107**

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

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

b) Due to related parties

	2005	2004
Ram Pacific	80.431	38.533
Kofisa S.A. ("Kofisa")	42.859	63.338
Other	15.012	16.667
	138.302	118.538

c) Bank Deposits

	2005	2004
Koç Bank A.Ş.		
- time deposits	7.067	8.841
- demand deposits	775	263
Yapı ve Kredi Bankası A.Ş.		
- demand deposits	127	-
	7.969	9.104

d) Bank Borrowings

	2005	2004
Koç Bank A.Ş.		
- interest-free YTL borrowings	10	250
- short term foreign currency borrowings	-	13.774
	10	14.024
Yapı ve Kredi Bankası A.Ş.		
- Letters of credits - EUR	5.365	-
- Letters of credits - USD	10.420	-
	15.785	-

e) Derivative financial instruments

	Contract value	Fair value Assets / (Liabilities)	
Koç Bank A.Ş.	(56.460)	1.536	(3.141)
	(56.460)	1.536	(3.141)

ii) Transactions with related parties

a) Sales

	2005	2004
Ram Dış Ticaret	625.355	899.562
Arçelik	499.628	553.652
Koç Sistem	27.307	6.842
Beko France	24.825	36.090
Beko Deutschland	23.377	12.716
Other	12.653	34.345
	1.213.145	1.543.207

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

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

b) Purchases of materials

	2005	2004
Ram Pacific	105.695	34.940
Kofisa	83.082	174.987
Other	15.538	20.463
	204.315	230.390

c) Purchases of property, plant and equipment

Ark İnşaat	5.305	13.194
Ram Pacific	1.393	-
Other	1.193	1.344
	7.891	14.538

d) Purchases of services

Beko Ticaret	8.380	3.696
Ram Sigorta	5.749	5.496
Setur	3.681	6.211
Palmira	2.464	-
Other	5.061	2.390
	25.335	17.793

e) Financial income/(expense) net

Arçelik - unearned credit finance income	29.048	15.289
Ram Dış Ticaret – foreign exchange (losses) / gains	(24.182)	21.376
Other	(5.316)	(3.238)
	(450)	33.427

f) Sale of financial assets

Mogaz Petrol Gazları A.Ş.	1.879	-
	1.879	-

g) Dividends received

Ultra Kablo Televizyon ve Telekomünikasyon San. ve Tic. A.Ş. ("Ultra Kablo")	103	-
Entek	86	221
	189	221

h) Commitments and contingencies

Ram Pacific (bills of exchange) – Note 31 (c)	89.813	-
	89.813	-

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

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

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:

	2005	2004
Balance Sheets		
Current assets	210.806	183.689
Non-current assets	23.797	24.924
Total assets	**234.603**	**208.613**
Current liabilities	219.679	189.882
Non-current liabilities	5.890	2.752
Shareholders' equity	9.034	15.979
Total liabilities and shareholders' equity	**234.603**	**208.613**

	2005	2004
Statements of (loss) / income		
Gross profit	66.399	41.550
Operating expenses	(71.585)	(44.625)
Other income - net	6.260	7.471
Operating profit	**1.074**	**4.396**
Financal expenses - net	(4.237)	(1.751)
(Loss) / income before tax	**(3.163)**	**2.645**
Taxes on income	(1.786)	(401)
Net (loss) / profit	**(4.949)**	**2.244**

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

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

	2005	2004
Other short-term receivables		
Value Added Tax ("VAT") receivable	4.714	19.564
Fixed assets to be disposed (*)	-	1.048
Other	1.096	2.321
	5.810	22.933

(*)The fixed assets which are planned to be sold by Grundig Multimedia B.V..

Other long-term receivables

	2005	2004
Deposits and guarantees given	789	98
Blocked cash (*)	-	891
Other	169	16
	958	1.005

(*) The office building owned by Grundig Switzerland has been sold to a leasing company through "Sell and Leaseback" in 2002. The guarantee letter in the amount of total rent payable until 2008; which is the term for the rent agreement; was given to the leasing company. Cash deposited to the bank in exchange for the guarantee letter is released quarterly when Grundig Switzerland makes rent payments.

Other short term payables

	2005	2004
Taxes and funds payable	23.935	14.278
Payables to personnel	3.687	7.654
Social security premiums payable	2.519	2.529
Other miscellaneous payables	602	2.749
Other short term liabilites (Note 15)	44.832	26.659
	75.575	53.869

Other long term payables

	2005	2004
Other long term payables	398	96
Other long term liabilities (Note 15)	898	200
	1.296	296

NOTE 11 – BIOLOGICAL ASSETS

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

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

NOTE 12 - INVENTORIES

	2005	2004
Raw materials and supplies	138.905	149.457
Semi-finished goods	8.345	5.507
Finished goods	51.727	45.163
Merchandise	56.969	34.621
Advances given	3.645	765
Goods-in-transit	118.670	93.818
	378.261	329.331
Provision for impairment on inventories	(28.288)	-
	349.973	329.331

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

	2005
Raw material	10.593
Finished goods	7.931
Merchandise	7.900
Goods-in-transit	1.864
	28.288

Movement of impairment on inventories is as follows:

	2005
1 January	-
Current year additions (Note 38)	28.627
Currency translation difference	(339)
31 December	28.288

NOTE 13 - CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLING

Group has no construction contract receivables and progress billings.

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

	2005	2004
Deferred tax assets	11.340	-
Deferred tax liabilities	(810)	(4.928)
Deferred tax assets/(liabilities), net	**10.530**	**(4.928)**

The Company recognizes 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.

Tax 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 is %30, %19, %9, %18 ve %28 for Turkey, Poland, Netherlands, Hungary and Portugal, respectively.

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

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES (Continued)

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

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2005	2004	2005	2004
Deferred tax assets:				
Unearned income/charges in receivables and payables, net	(8.579)	(6.323)	2.574	1.897
Provision for employment termination benefits	(3.706)	(4.441)	1.112	1.332
Impairment on inventories	(21.758)	-	6.526	-
Warranty provision	(25.963)	(9.898)	7.782	2.969
Provision for doubtful receivables	(15.914)	-	4.774	
Accrual for export sales expenses	(15.527)	-	4.658	-
Carry forward tax losses	(33.169)	-	9.951	-
Unused investment incentive allowance (*) (Note 30)				
- within the context of incentive certificate	-	(44.467)	-	4.536
- within the context of Income Tax Code No: 19	-	(24.211)	-	7.263
Other	(3.575)	(1.184)	1.073	357
			38.450	18.354
Deferred tax liabilities:				
Net difference between the tax base and carrying amount of property, plant and equipment and intangible assets	92.434	74.206	(27.540)	(22.262)
Other	1.266	3.400	(380)	(1.020)
			(27.920)	(23.282)
Deferred tax assets/ (liabilities), net			10.530	(4.928)

(*) At 31 December 2005, the Company has not recognized deferred tax assets on investment incentive allowances in the amount of YTL 115.652 thousand which has been deferred due to the current year tax losses.

	2005	2004
Balance at the beginning of the period	(4.928)	(7.668)
Current year deferred tax income, net (Note 41)	15.411	2.843
Currency translation difference	47	-
Increase due to acquisitions	-	(103)
Balance at the end of the period	10.530	(4.928)

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

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

	2005	2004
Other current assets		
Prepaid expenses	1.873	1.866
Derivative financial instruments	1.329	-
Income accruals	364	4.005
Accrual for supplier rebates	-	9.222
Other	32	-
	3.598	15.093
Other current liabilities (Note 10)		
Provision for export sales expenses	24.849	10.015
Provision for outstanding invoices	6.324	9.048
Provision for product recalls	4.882	-
Derivative financial instruments	2.387	-
Other expense accruals	6.390	7.596
	44.832	26.659
Other non-current liabilities (Note 10)		
Deferred income	266	200
Other	632	-
	898	200

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

NOTE 16 - FINANCIAL ASSETS

	2005	2004
Available-for-sale investments	54.249	23.775
Investments in associated companies	1.370	940
	55.619	24.715

i. Available-for-sale investments:

	2005		2004	
	%	Thousand YTL	%	Thousand YTL
Koç Finansal Hizmetler A.Ş.	0,70	45.361	0,70	10.395
Koç Tüketici Finansmanı ve Kart Hizmetleri A.Ş. ("Koç Finans")	7,50	6.056	7,50	5.224
Ultra Kablolu	7,50	1.901	7,50	2.996
Entek	-	-	1,50	4.384
Ram Dış Ticaret	6,75	906	6,75	762
Nacionalis- Importaçao, Exportaçao e Serviços, Lda (*)	30,00	14	30,00	14
Grundig Intermedia Trgovina, d.o.o., Ljubljana (*)	100,00	6	-	-
Gesellschaft für Unterhaltungs- und Kommunikationselektronik (GFU) GmbH (*)	7,14	5	-	-
		54.249		23.775

(*) Available-for-sale investments, in which the Group has direct or indirect controlling interests over 20%, however in which the Group does not exercise a significant influence or which are immaterial are carried at cost, less any provision for impairment.

As at 31 December 2005, impairment loss on available-for-sale investments in the amount of YTL 35.034 thousand (31 December 2004: YTL 35.499 thousand) 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 YTL 23.580 thousand is recognised in equity under "financial assets fair value reserve" (31 December 2004: YTL 3.054 thousand).

ii.Investments in associated companies:

	2005		2004	
	%	Thousand YTL	%	Thousand YTL
Ram Pacific Ltd.	25,00	1.370	25,00	940
		1.370		940

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

NOTE 17 – GOODWILL/ NEGATIVE GOODWILL

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

NOTE 18 – INVESTMENT PROPERTY

	1 January 2005	Additions	Disposals	Currency translation difference	31 December 2005
Cost	3.980	-	-	(520)	3.460
Accumulated depreciation	(1.115)	(73)	-	146	(1.042)
	2.865	(73)	-	(374)	2.418

The investment property which is owned by Grundig Multimedia B.V., the Joint Venture of the Company, amounting to YTL 2.418 thousand is rented to third parties under rent contracts.

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2005	Additions	Disposals	Transfers	Currency translation difference	31 December 2005
Cost						
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	1.009	622	(431)	-	(18)	1.182
Furniture and fixtures	36.772	1.603	(754)	792	(92)	38.321
Leasehold improvements	1.065	183	(68)	-	-	1.180
	540.071	6.480	(2.331)	52.599	(491)	596.328
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	510	390	(379)	-	6	527
Furniture and fixtures	30.423	2.468	(677)	-	(21)	32.193
Leasehold improvements	321	217	(21)	-	-	517
	319.109	37.992	(2.052)	-	(89)	354.960
Construction in progress	23.180	31.745	-	(52.281)	-	2.644
Advances given	646	1.318	-	(1.685)	-	279
Net book value	244.788		(279)	(1.367)	(402)	244.291

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

NOTE 20 - INTANGIBLE ASSETS

	1 January 2005	Additions	Disposals	Transfers	Currency translation difference	31 December 2005
Cost						
Brand (*)	17.859	1.987	-	-	(2.339)	17.507
Other intangible assets	17.393	1.220	(1.699)	1.367	(182)	18.099
	35.252	3.207	(1.699)	1.367	(2.521)	35.606
Accumulated amortization						
Other intangible assets	10.599	1.535	-	-	(7)	12.127
	10.599	1.535	-	-	(7)	12.127
Net book value	24.653		(1.699)		(2.514)	23.479

(*) The brand was purchased from Grundig AG in the amount of EUR 9.776 thousand being the portion of Beko Elektronik A.Ş. and transferred to Grundig Multimedia B.V.. Additions to the brand in the amount of EUR 1.252 thousand in 2005 is the result of re-allocation of the acquisition cost to opening balance sheet of Grundig Multimedia B.V. as of 31 March 2005.

NOTE 21 - ADVANCES RECEIVED

The Group does not have advances in the consolidated balance sheet.

NOTE 22 - RETIREMENT PLANS

The Group does not have liabilities resulting from retirement plans in the consolidated financial statements.

NOTE 23 - PROVISIONS

a) Short term provisions

	2005	2004
Warranty provision	20.404	8.140
Provision for taxes (Note 41)	1.085	310
	21.489	8.450

b) Long term provisions

Warranty provision	13.179	6.434
Provision for employment termination benefits	4.098	5.114
	17.277	11.548

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

NOTE 23 – PROVISIONS (Continued)

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 YTL 1.725,15 (31 December 2004: YTL 1.574,74) for each period of service at 31 December 2005.

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.

IFRS 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:

	2005	2004
Discount rate (%)	5,49	5,45
Turnover rate to estimate the probability of retirement (%)	80,00	87,00

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 YTL 1.770,62 (1 January 2005: YTL 1.648,90) which is effective from 1 January 2006 has been taken into consideration in calculating the reserve for employment termination benefits of the Company and its Subsidiaries and Associates registered in Turkey.

Movement of the provision for employment termination benefits are as follows:

	2005	2004
Balance at the beginning of the period	5.114	4.805
Charge for the period	2.766	3.581
Payments during the period	(3.704)	(2.678)
Currency translation difference	(78)	-
Monetary gain	-	(594)
Balance at the end of the period	**4.098**	**5.114**

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

NOTE 24 - MINORITY INTEREST

Changes in minority interest during the period are as follows:

	2005	2004
Balance at the beginning of period	(2.560)	(617)
Effect of the change in the control rates attributable to minority interest	1.824	-
Net loss attributable to minority interest	(465)	(2.114)
Currency translation difference	432	171
Balance at the end of period	**(769)**	**(2.560)**

NOTE 25 - CAPITAL/ADJUSTMENT TO SHARE CAPITAL

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

	2005	2004
Limit on registered share capital	400.000	400.000
Authorised and paid-in share capital	174.000	174.000

At 31 December, the shareholding structure can be summarised are as follows:

	2005		2004	
Shareholders	**Share %**	**Amount**	**Share %**	**Amount**
Koç Holding A.Ş.	32,87	57.200	32,87	57.200
Arçelik A.Ş.	22,36	38.910	22,36	38.910
Beko Ticaret A.Ş.	12,42	21.614	12,42	21.614
Other	12,40	21.562	12,40	21.562
Traded at Istanbul Stock Exchange	19,95	34.714	19,95	34.714
Total	**100,00**	**174.000**	**100,00**	**174.000**
Adjustment to share capital (*)		152.182		165.362
Unpaid capital (**)		-		(166)
Total paid-in share capital		**326.182**		**339.196**

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

(**) At 31 December 2004, the unpaid capital amounting to YTL 166 thousand is the nominal value of the stocks for which the priority rights have not been used by its shareholders in the share capital increase at 2 December 2004.

There exists 17.400.000.000 number of shares nominal value of which is 1 YKr (31 December 2004: 17.400.000.000). There are no privileges granted to different share groups or shareholders.

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

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 accumulated deficit will first be netted-off from net income and retained earnings, and the remaining amount of deficit from extraordinary reserves, legal reserves and shareholders' equity restatement differences.

Effective from 1 January 2004, the IFRS net income computed in accordance with Communiqué No: XI-25 must be distributed in the ratio of a minimum of 30% of total distributable profit. This distribution, subject to the decision of General Assembly, may be made either in cash or as bonus shares not less than 30% of the distributable profit or as a combination of both.

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 "shareholders' equity restatement differences".

Shareholders' equity restatement differences can only be netted-off against prior years' losses or used as an internal source in capital increase 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, at 31 December, the shareholders' equity schedule, is as follows:

	2005	2004
Share capital	174.000	174.000
Unpaid capital	-	(166)
Extraordinary reserves	8.693	-
Share premium	344	-
Shareholders' equity restatement differences	152.182	165.362
Financial assets fair value reserve	23.580	3.054
Net (loss) / income for the period	(82.038)	8.452
Prior years' losses	(3.054)	(15.993)
Translation reserve	80	731
Total shareholders' equity	**273.787**	**335.440**

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

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

Although, it is mandatory to make dividend distributions based on the net distributable profit found in accordance with CMB regulations, based on the CMB Decree 7/242 dated 25 February 2005, in accordance with Turkish Commercial Code regulations, it is stated that dividend distributions should not be made if there is a current year loss in either the financial statements prepared based on CMB regulations or in the statutory financial statements subject to reserves appropriated from statutory records. The Company did not make profit distributions from its net income in its financial statements preperad in accordance with CMB Accounting Standarts since it has incurred a loss in its statutory financial statements for the year ended 31 December 2004.

The Company, based on the authorization through the Ordinary General Assembly decision dated 8 April 2005, resolved to offset the "Prior Years' Losses" amounting to YTL13.180 thousand at the equivalent purchasing power of 31 December 2004 from the "Shareholders' Equity Restatement Differences" and to transfer the "Consolidated Net Income" for the year 2004 amounting to YTL8.693 thousand to the "Extraordinary Reserves".

Details of the shareholders' equity restatement differences at 31 December are as follows:

2005	Nominal value	Restated amounts	Shareholders' equity restatement differences
Share capital	174.000	374.945	200.945
Accumulated loss offset	-	(48.763)	(48.763)
	174.000	326.182	152.182

2004	Nominal value	Restated amounts	Shareholders' equity restatement differences
Share capital	174.000	374.945	200.945
Unpaid capital	(166)	(166)	-
Accumulated loss offset	-	(35.583)	(35.583)
	173.834	339.196	165.362

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

NOTE 29– FOREIGN CURRENCY POSITION

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

	2005	2004
Assets	662.728	610.687
Liabilities	(917.394)	(894.826)
Net balance sheet position	**(254.666)**	**(284.139)**
Net position of derivative financial instruments	**162.490**	**-**
Net foreign currency position	**(92.176)**	**(284.139)**

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	57.678	318.894
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**	**76.536**	**662.728**
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)**	**51.069**	**(254.666)**
Net position of derivative financial instruments	**134.774**	**27.716**	**-**	**-**	**162.490**
Net foreign currency position	**29.506**	**(172.440)**	**(311)**	**51.069**	**(92.176)**

The net foreign currency position of the Group at 31 December 2005 is negative YTL 92.176 thousand equivalent to EUR 58.063.622.

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

NOTE 29– FOREIGN CURRENCY POSITION (Continued)

Assets and liabilities denominated in foreign currency at 31 December 2004 are as follows:

	31 Aralık 2004				
	EUR	USD	GBP	Other	Total
Current assets:					
Cash and cash equivalents	13.743	679	762	5.153	20.337
Trade receivables (net)	163.943	34.404	11.748	8.416	218.511
Due from related parties (net)	192.391	48.412	13.781	-	254.584
Inventories(net)	63.374	31.245	2.681	526	97.826
Other receivables and other current assets	11.930	5.345	159	1.007	18.441
Non-current assets:					
Other receivables	-	-	-	988	988
Total assets	445.381	120.085	29.131	16.090	610.687
Current liabilities:					
Short-term financial liabilities (net)	115.872	125.935	3.349	1.183	246.339
Current maturities of long-term financial liabilities (net)	41.501	7.471	-	1.470	50.442
Trade payables (net)	91.116	60.617	9.497	6.093	167.323
Due to related parties (net)	59.048	42.028	1.228	-	102.304
Provisions	3.863	-	-	-	3.863
Other current liabilities (net)	25.625	-	1.708	3.784	31.117
Non-current liabilities:					
Long-term financial liabilities (net)	209.413	81.273	-	-	290.686
Provisions	2.659	-	-	-	2.659
Deferred tax liability	93	-	-	-	93
Total liabilities	549.190	317.324	15.782	12.530	894.826
Net position	(103.809)	(197.239)	13.349	3.560	(284.139)

The net foreign currency position of the Company at 31 December 2004 is negative YTL 284.139 thousand equivalent to EUR155.539.194.

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

NOTE 30 - GOVERNMENT GRANTS

The Company has obtained investment incentive certificates from the Turkish government authorities in connection with certain major capital expenditures, which entitle the Company, for:

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) 100% investment allowance for purchases of assets and construction costs for investments,
e) 40% of the research and development expenditures,

The Company benefits from investment incentive allowance of 40% of capital expenditures, with some exemptions, over 10.000 YTL as of 2005 within the context of Income Tax Code No: 19 ("ITC 19") effective from 24 April 2003.

The 100% investment allowances indicated in (d) above are exempted from corporation tax as deductions from current or future taxable profits. However, such investment allowances are subject to withholding tax at the rate of 19,8%.

Investment incentive allowances which have been qualified for but deferred at the balance sheet date are as follows:

	2005	2004
Within the context of investment incentive certificate (100 %)	76.882	55.583
Within the context of ITC 19 (40 %)	38.770	30.265
	115.652	85.848

NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

Provisions

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

Commitments and contingent liabilities

a) Derivative financial instruments

	Contract value	Fair values Assets / (Liabilities)	
31 December 2005			
Forward foreign exchange contracts	162.490	1.329	(2.387)
	162.490	1.329	(2.387)

The group did not have any derivate financial instruments at 31 December 2004.

b) As at 31 December 2005, there are lawsuits against the Company in the amount of YTL 4.520 thousand. The Company has not provided any provision for these lawsuits since legal processes are pending.

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

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

c) Commitment and contingencies given:

	2005			2004		
	Currency	Original Amount	Thousand YTL	Currency	Original Amount	Thousand YTL
Mortgages given on property, plant and equipment regarding the IFC loan	EUR	50.689.376	80.469	EUR	50.689.376	92.599
Assigned receivables regarding the IFC loan	EUR	10.182.540	16.165	EUR	12.584.658	22.990
	GBP	3.528.414	8.158	GBP	3.570.162	9.199
	USD	274.350	368	USD	-	-
Bills of exchange given to suppliers (*)	USD	56.575.200	75.913	-	-	-
Standby letters of credit	EUR	11.000.000	17.463	EUR	17.798.150	32.514
	USD	31.172.200	41.827	USD	-	-
Assigned receivables	EUR	-	-	EUR	4.358.000	7.961
Operational lease commitments (**)	EUR	5.552.477	8.815	EUR	3.434.742	6.275
	GBP	-	-	GBP	518.941	1.337
	YTL	-	-	YTL	-	384
Floating charges	EUR	1.376.239	2.185	EUR	881.500	1.610
Guarantee letters given to customs for imports	EUR	2.000.000	3.175	EUR	2.000.000	3.654
	YTL	-	231	YTL	-	847
Guarantee letters given to Eximbank for imports loan	YTL	-	25.372	YTL	-	18.506
Guarantee letters given	YTL	-	8.477	YTL	-	7.431
	USD	114.361	153	USD	-	-
	GBP	-	-	GBP	1.300.000	3.349
Other	EUR	221.612	352	EUR	789.000	1.441
			289.123			210.097

(*) 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

The Company acquired the 30 % of the shares of Fusion Digital; in which the Company has 65% share; in exchange for GBP 10.000 on 26 June 2005. Loss incurred in this acquisition, in the amount of YTL 2.391 thousand, is accounted for in other expenses in the consolidated statement of loss (Note 38).

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

NOTE 33– SEGMENT INFORMATION

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 is identified.

Secondary reporting format - Geographical segment

The Group's geographical segments are organised into Turkey and Europe. 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	2005	2004
Europe	1.600.242	1.597.016
Turkey	594.932	653.297
	2.195.174	2.250.313

Segment assets	2005	2004
Turkey	1.189.504	1.160.334
Europe	243.523	225.731
	1.433.027	1.386.065

Capital expenditure	2005	2004
Turkey	38.903	111.584
Europe	3.847	23.980
	42.750	135.564

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

NOTE 34 - SUBSEQUENT EVENTS

a) In the Board of Directors meeting on 31 January 2006, the Company has decided to participate in Beko Elektronik LLC which will be established under the project for manufacturing TV in Russia with 1% shareholding.

b) In the Board of Directors meeting on 9 November 2005, the Company has decided to increase share capital of Fusion Digital in which the Company has participation with 95% shareholding, in the amount of GBP 5.500.0000. This capital was transferred on 4 January 2006.

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

NOTE 35 – DISCONTINUED OPERATIONS

The Group has no discontinuing operations as of 31 December 2005.

NOTE 36 - OPERATING INCOME

	2005	2004
Domestic sales	614.357	691.505
Foreign sales	1.674.445	1.602.255
Gross sales	**2.288.802**	**2.293.760**
Discounts	(93.628)	(43.447)
Net sales	**2.195.174**	**2.250.313**

NOTE 37– OPERATING EXPENSES

	2005	2004
Research and development expenses	(17.194)	(16.320)
Selling and marketing expenses	(219.302)	(152.755)
General administrative expenses	(61.383)	(58.068)
Operating expenses	**(297.879)**	**(227.143)**

NOTE 38– OTHER INCOME/EXPENSES AND PROFIT/LOSSES

Other income and profits	2005	2004
Gain on sale of After Sales Service Organization (*)	49.104	-
Gain on sale of financial assets (**)	1.879	-
Research and development incentive payments	1.589	-
License income	1.319	840
Gain on sale of property, plant and equipment	1.313	42
Other	5.620	6.873
	60.824	**7.755**

(*) The Company has sold its After Sales Service Organization to Arçelik A.Ş. on 26 December 2005 for a total consideration of EUR 30.800.000, equivalent of YTL 49.104 thousand. The transfer of the operations of this organization to Arçelik A.Ş. was in progress as at the date of this report and the management expects to complete the transfer by 1 April 2006.

(**) The Company has sold its participation in Entek A.Ş. with 1,43 % shareholding to Mogaz Petrol Gazları A.Ş. on 30 December 2005 for EUR 2.073.500, equivalent of YTL 3.298 thousand.

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

NOTE 38– OTHER INCOME/EXPENSES AND PROFIT/LOSSES (Continued)

Other expenses and losses

	2005	2004
Impairment on inventories	28.627	-
Bad debt expenses	18.033	-
VAT paid for inventory damaged by fire	2.717	-
Loss on acquisition of subsidiaries	2.391	-
Other	4.053	2.053
	55.821	2.053

NOTE 39 – FINANCIAL INCOME/ (EXPENSES)

	2005	2004
Financial income		
Credit finance income	29.053	15.289
Interest income from bank deposits	9.436	801
Foreign exchange gains, net	5.133	10.673
Other	2.416	-
	46.038	26.763
Financial expenses		
Interest expense	(47.322)	(56.037)
Credit finance charges	(4.676)	(5.892)
Other	(5.771)	(3.382)
	(57.769)	(65.311)
Financial expenses, net	(11.731)	(38.548)

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 adjustment is not made for the period beginning on or after 1 January 2005, there is no monetary gain / loss for the year ended 31 December 2005.

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

NOTE 41 – TAXES ON INCOME

	2005	2004
Corporation and income taxes (Note 23.a)	1.085	310
Prepaid taxes	-	-
Taxes payable, net	**1.085**	**310**

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.

Corporation tax rate of the fiscal year 2005 is 30% (2004: 33%). Corporation tax is payable at a rate of 30% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment incentive allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19,8% on the investment incentive allowance utilized within the scope of the Income Tax Law Transitional Article 61).

Corporations are required to pay advance corporation tax quarterly at the rate of 30% on their corporate income. Advance tax is declared by the 10th and paid by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

In accordance with Tax Law No: 5024 "Law regarding amendments toTax Procedure Law, Income Tax Law and Corporate Tax Law" that was published on the Official Gazette on 30 December 2003 effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the New Turkish Lira. In accordance with the aforementioned law provisions, in order to apply inflation adjustment, cumulative inflation rate (SIS-WPI) over last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment has not been applied as these conditions were not fulfilled in the fiscal year 2005.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 15th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses can not be carried back to offset profits from previous periods.

NOTE 41 – TAXES ON INCOME (Continued)

There are numerous exemptions in the Corporation Tax Law concerning the corporations. Those related to the Company are as follows:

Exemption for participation in subsidiaries:

Dividend income from participation in shares of capital of another full fledged taxpayer corporation (except for dividends from investment funds participation certificates and investment partnerships shares) are exempt from corporation tax.

Exemption for sale of preferential right certificates and share premiums:

Profits from sale of preferential right certificates and share premiums generated from sale of shares at a price exceeding face values of those shares during incorporations or capital increases of joint stock companies are exempt from corporation tax.

Exemption for participation into foreign subsidiaries:

The participation income of corporations participating in 25% or more of the capital of a limited liability or joint stock company which does not have its legal or business centre in Turkey (except for corporations whose principal activity is financial leasing or investment of marketable securities) for at least two continuous years until the date of the income is generated and transferred to Turkey until the date of the filing of the corporation tax return of the fiscal year in which the income is generated is exempt from corporation tax subject to those subsidiaries are subject to corporation tax, or alike, in their country of legal or business centre at the rate of at least 20% (at corporation tax rate applicable in Turkey for those companies whose principal activity is financial assurance or insurance) and 75% of the income generated consists of commercial, agricultural or independent professional service income.

Exemption for sale of participation shares and property:

Profit of corporations' from sale of participation shares and property which have been in their assets at least for two years is exempt from corporation tax provided that they are added to corporations' share capital until the end of second calendar year following the year in which sale was realized. On the other hand, the condition of adding this profit to share capital is not required for corporations other than full fledged taxpayer corporations and non-resident taxpayer corporations and these profits are accounted under special reserves. In the event that these profits added to share capital or accounted under special reserves are withdrawn from the entity in any means, transferred to abroad by non-resident taxpayer corporations or the entity liquidates (except by take over, merger and de-merger) within five years, those profits are considered as profits regarding that year and are subject to corporation tax.

Exemption for investment allowance:

Capital expenditures, with some exceptions, over YTL10 thousand are eligible for investment incentive allowance of 40% is exempted from corporation tax and this allowance is not subject to withholding tax without the requirement of an investment incentive certificate. Investment allowances calculated are deferred to the following years in cases where corporate income is insufficient. Investment allowances utilised within the scope of investment incentive certificates granted prior to 24 April 2003 in accordance with provisions of Income Tax Law Transitional Article 61 are subject to withholding tax at the rate of 19,8%, irrespective of profit distribution.

Accordingly, abovementioned profits within trade income/loss are considered in the calculation of corporate income tax.

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

NOTE 41 – TAXES ON INCOME (Continued)

Apart from the abovementioned exemptions considered in the determination corporation tax base, allowances stated in Corporation Tax Law Article 14 and reiterated Article 14, and Income Tax Law Article 40 are also taken into consideration.

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

	2005	2004
Current year tax expense	(1.022)	(411)
Deferred tax income	15.411	2.843
Released prior year tax provision (*)	-	1.038
	14.389	3.470

(*) The income tax provision calculated as at 31 December 2003, has been paid YTL 1.038 thousand less in 2004 due to a tax advantage. This amount has been recognised as income in the consolidated statement of income for the year ended 31 December 2004.

NOTE 42 - EARNINGS PER SHARE

The earnings attributable to each class of shares for each year were as follows:

	2005	2004
Net (loss) / earnings attributable to ordinary shares	(82.038)	8.452
Weighted average number of ordinary shares in issue (YKr 1 each)	17.400.000.000	17.400.000.000
(Loss) / earnings per share (YKr)	(0,4715)	0,0486

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

NOTE 43 – CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	2005	2004
Operating activities:			
Net (loss) / income		(82.038)	8.452
Adjustments for:			
Increases and decreases in accruals and provisions		82.899	27.805
Income accruals		-	(9.216)
Depreciation and amortisation	18, 19, 20	39.600	31.336
Interest income	39	(38.489)	(16.090)
Interest expense	39	51.998	61.929
Income from investment in associated companies		(430)	(11)
Loss on acquisition of subsidiaries	38	2.391	-
Impairment in financial assets, net		(465)	1.210
Net gain on sale of property, plant and equipment, and intangible assets, net	38	(1.313)	(42)
Minority interest	24	(465)	(2.114)
Income from sale of financial assets	38	(1.879)	-
Taxes on income	41	(14.389)	(3.470)
Net cash provided by operating activities before changes in operating assets and liabilities		37.420	99.789
Changes in operating assets and liabilities, net		41.691	(281.359)
Corporation taxes paid		(295)	(12.935)
Net cash provided by / (used in) operating activities		41.396	(294.294)
Investing activities:			
Proceeds from the sale of property, plant and equipment and intangible assets		3.291	901
Purchase of property, plant and equipment and intangible assets	19,20	(42.750)	(135.561)
Proceeds from sale of financial assets		3.298	-
Increase in financial assets		(10.901)	-
Purchase of financial assets		-	(2.357)
Purchase of investment property		-	(3.980)
Acquisition of subsidiaries		(23)	-
Net cash used in investing activities		(47.085)	(140.997)
Financing activities:			
Interest received		36.807	20.152
Interest paid		(52.401)	(65.477)
Capital increase		166	86.834
Share premium		344	-
Increase in financial liabilities, net		(22.735)	320.718
Net cash (used in)/ provided by financing activities		(37.819)	362.227
Translation reserve		2.448	(84)
Net (decrease)/ increase in cash and cash equivalents		(3.640)	26.641
Cash and cash equivalents at the beginning of the year		29.969	3.328
Cash and cash equivalents at the end of the year		26.329	29.969

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

NOTE 43 – CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2005	2004
Increases and decreases in accruals and provisions		
Warranty provision	19.009	6.991
Provision for employment termination benefits	(938)	309
Provision for doubtful receivables	18.033	-
Provision for impairment in inventory	28.627	-
Provision for export sales expenses	14.834	6.675
Other expense accruals	3.334	13.830
	82.899	27.805
Changes in operating assets and liabilities,net		
Trade receivables and due from related parties	(34.818)	(252.801)
Inventories	(49.269)	(186.705)
Other short term receivables and other current assets	28.618	1.880
Other long-term receivables and other non-current assets	14	(988)
Trade payables and due to related parties	92.606	143.403
Provisions and other short term liabilities	3.539	18.171
Long-term provisions and other long term liabilities	1.001	(4.319)
	41.691	(281.359)

NOTE 44 – DISCLOSURE OF OTHER MATTERS

In the Board of Directors meeting on 29 December 2005, the Company has decided to liquidate Fusion Digital to continue research and deveploment together with sales and marketing activities for digital products under Beko Elektronik A.Ş. due to cost saving and efficiency purposes.

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