07 BEKO ELEKTRONİK A.Ş.
ANNUAL REPORT

Koç

Our most important asset is our people.

The quality of our products and services is based on the quality of our people.

For the continuity of the Koç Group, we follow a policy of recruiting the best people, and providing opportunities for development and advancement. To fully utilize the talents, strength, and creativity of our people, we create a work environment, which nourishes increased productivity, cooperation, and solidarity.

Vehbi Koç

“With its innovative products, Beko Elektronik A.Ş. will continue to be an important player that leads technology in its sector.”

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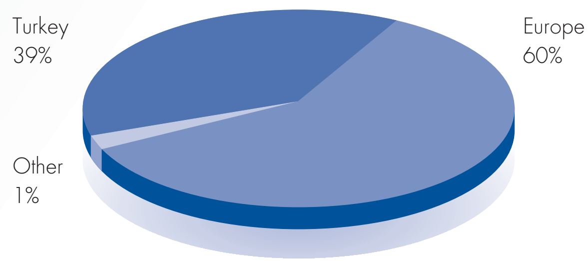
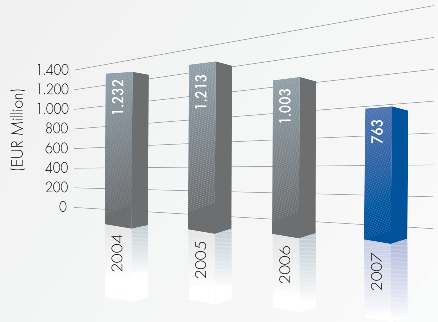
FINANCIAL RATIOS

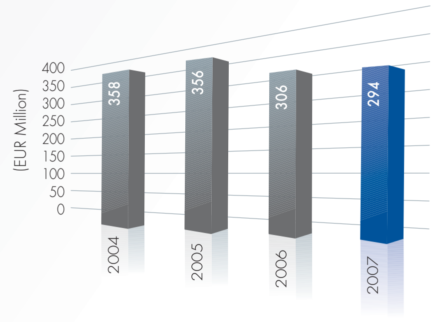
Regional Distribution of Sales



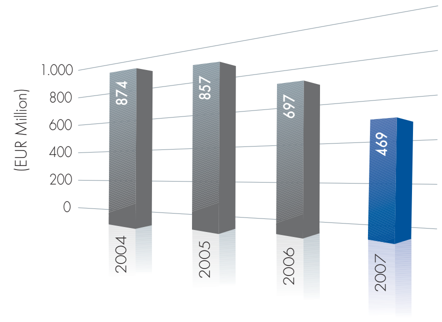
Net Sales



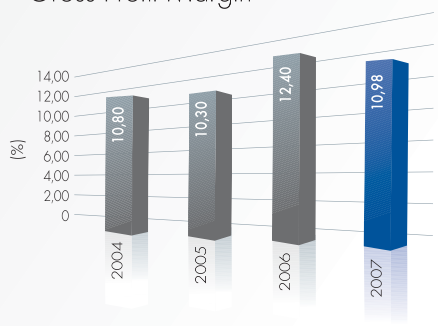
Net Sales - Domestic



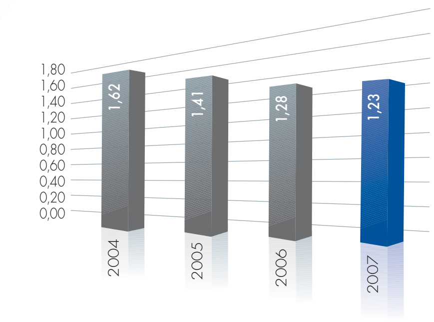
Net Sales - International



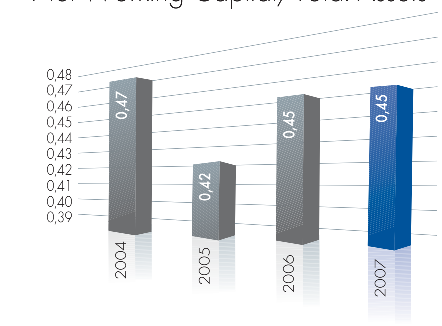
Gross Profit Margin



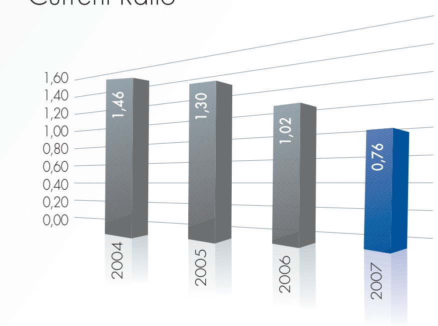
Assets Turnover



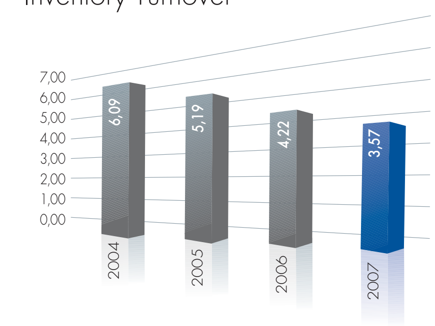
Net Working Capital/Total Assets



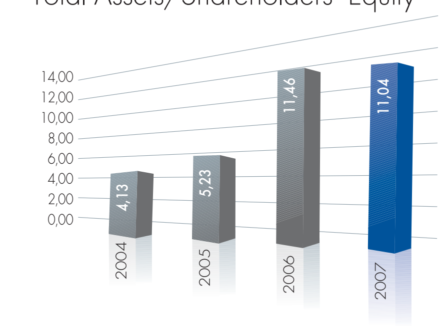
Current Ratio



Inventory Turnover



Total Assets/Shareholders' Equity



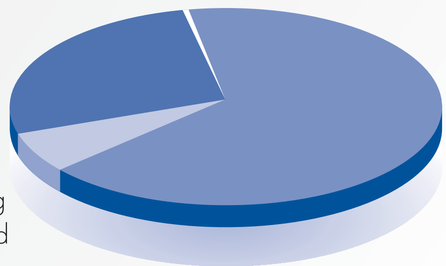
SUBSIDIARIES

Subsidiaries Abroad	Country	Area of Activity	Share (%)
Bekodutch B.V.	Netherlands	Investment	100.0
Beko Elektronik LLC	Russia	Production/Sales	100.0
Grundig Multimedia B.V.	Netherlands	Investment	50.0

Affiliates	Country
Grundig Benelux B.V.	Netherlands
Grundig Danmark A/S	Denmark
Grundig España S.A.	Spain
Grundig Intermedia GmbH	Germany
Grundig Intermedia GmbH	Austria
Grundig Italiana SpA	Italy
Grundig Magyarország Kft.	Hungary
Grundig Norge AS	Norway
Grundig OY	Finland
Grundig Polska Sp. z o.o.	Poland
Grundig S.A.S.	France
Grundig AG	Switzerland
Grundig Svenska AB	Sweden
Grundig Portuguesa, Lda	Portugal
Grundig Ceska republika s.r.o.	Czech Republic
Grundig Slovakia s.r.o.	Slovakia
Grundig Australia Pty. Limited*	Australia
Grundig Intermedia Trgovina, d.o.o	Slovenia

*Sold in 2007

SHAREHOLDING STRUCTURE



Arçelik A.Ş.	(72.46%)
Koç Holding Pension Fund	(7.45%)
Vehbi Koç Foundation	(0.30%)
Publicly Traded	(19.79%)

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

No capital increase was undertaken in 2007.

REPORT OF THE BOARD OF DIRECTORS AND MESSAGE FROM THE CHAIRMAN

We must see change, which is part of our corporate culture, as an opportunity to progress, thereby exploit the power of change.

Dear Shareholders,

As we left behind a year with important events in both the world and Turkey, we enter 2008 with new hopes.

In Turkey, 2007 was a year of political uncertainties because of the general elections. The inability to reach an understanding in the election of the President of the Republic and the election of deputies earlier than planned made the period of uncertainty longer and more stressful than previously estimated.

The problems in the real estate market in the United States, in the last period of the year, led to fluctuations in the financial markets in developed countries.

Despite the short term fluctuations in the summer, the YTL kept growing stronger and inflation continued to decrease, although not as much as anticipated. We saw inflation running out of its aimed path in the same period as the drought and the sudden increase in oil and raw material prices in all the countries.

The events in the last period caused a slow-down in the positive progress we experienced over the course of the last few years but this did not have any negative effect on the long-term goals. Our goal is to achieve an economic structure, where high growth and low inflation go hand in hand. Because of this, the financial structure which was shaken as a consequence of the 2007 general elections needs to be strengthened in 2008. We must continue to improve until the concept of inflation is completely removed from Turkey's agenda.

We are living in a period where global competition is growing stronger and change is occurring at an accelerating rate. It is very important that we adapt to the changes in the world in the best way possible and achieve the right progresses at the right times. We need to properly foresee changes and make the necessary adjustments today to strengthen our position in the future. We must foresee change, which is an integral part of our corporate culture, as an opportunity to progress, thereby exploit the power of change.

The transition from CRT televisions to LCD televisions, reflecting the tremendous transformation in our sector, continued strongly in 2007. The LCD TV market reached 80% in Europe, one of the most prominent LCD TV markets in the world. Sales of LCD TVs increased 40% in the volume of units sold and the sales revenue increased by 12%. The total market size in Europe is over 21 billion Euros. The same transition has also started in Turkey.

In 2007, the ratio of LCD television sales to total TV sales increased in the domestic market. Our financial results began improving thanks to the productivity and the measures taken as a result of the ongoing restructuring of our Company. Beko Elektronik's net operating loss in 2007 was YTL 12.8 million.

Beko Elektronik, which has had a successful performance in the television sector, reached a total LCD production capacity of 1.8 million in 2007. LCD sales increased to 1.1 million units, reflecting a 10% increase over the previous year.

Our new and modern products received great attention at international expositions and were acclaimed by respected institutions. We were the proud recipents of two prominent awards namely international CES and iF awards by beating out world’s most famous brands.

In the field of technology, one important innovation we brought to the LCD TV market was the “full motion” concept which solves the problems occurring during the fast movement transitions and provide the highest video performance to the customers.

We have also become known for our success in the sound performance of our TVs, thanks to the new “SoundArt” technology we developed in 2007. This system, with its sound projector integrated into the television, makes it possible to enjoy live “movie theater experience” at home and provides full surround-sound system.

The importance we place on preserving our environment is manifested in the fact that 80% of our new televisions are produced with reusable materials, which offer a 65% energy savings in the stand-by mode and another 50% savings during the normal viewing mode.

Another tremendous success last year was the commence of the acquisition of Alba's shares in Grundig, a company we originally purchased in conjunction with the English Alba Company in 2004. This landmark decision was taken by our Board of Directors on December 18, 2007, and served to increase our strength in the consumer electronics sector.

In 2008, we will vote to change the name of our Company to Grundig Elektronik Anonim Şirketi at the upcoming General Assembly. Additionally, in order to improve our Company's financial strength, we decided to increase our capital through right issues by 100%.

We have no doubt that our position in the consumer electronics market will be substantially improved by our purchasing all the shares of Grundig, one of Europe's best known and most respected company, especially in Germany. Today, more than 20 million homes in Europe have a Grundig brand television. Our goal is to make the brand of Grundig widely known and used all over the world, turning it into a true global brand. We are currently working on developing new products and technologies to introduce new generations to Grundig's new brand image.

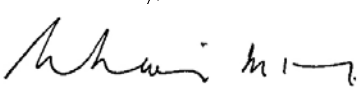
In 2008, Beko Elektronik will continue to work diligently to become one of the leading companies in both Turkey and the world.

To be the best is our ultimate goal. In keeping with this tenet, the Company will be taking important steps to distinguish itself with new and innovative products in 2008.

I would like to close with a sincere word of thanks to all the members of our Group and each of our partners, employees and shareholders, all of whom have constantly given us boundless support and trust in our Company, enabling us to reach to our current position of success.

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

Yours sincerely,



Rahmi M. KOÇ
Chairman
Beko Elektronik A.Ş.

BOARD OF DIRECTORS AND MANAGEMENT IN 2007

Board of Directors 2007

Rahmi M. Koç	Chairman
Dr. Bülent Bulgurlu	Vice-Chairman
Temel K. Atay*	Member
Aydın İ. Çubukçu*	Member
İ. Tamer Haşimoğlu	Member
A. Gündüz Özdemir	Member
Fatih K. Ebiçlioğlu	Member
C. Ş. Oğuzhan Öztürk	Member

Board of Auditors

Mert Ş. Bayram

Kemal Uzun

*Temel K. Atay and Aydın İ. Çubukçu are also members of the Audit Committee.

Members of the Board of Directors are reelected each year at the General Meeting of Shareholders in accordance with the Articles of Association. In this regard, all our Board members were appointed to their position on April 3, 2007.

Management in 2007

C. Ş. Oğuzhan Öztürk
General Manager

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

A. Ercan Şenolur
Assistant General Manager, Production

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

Erkan Duysal
Director, Research & Development

After beginning his career as a researcher at Miami University, Duysal started working at Beko Elektronik A.Ş. in 2006 and has been the Director of Research and Development since August 1, 2007.

OPERATIONS IN 2007

"While consumers enjoyed Beko Elektronik A.Ş.'s new generation products in 2007, the Company strengthened its success abroad with numerous awards."

OPERATIONS IN 2007

With the knowledge that we are working in a sector that is marked by rapid technological change, the Company is continuing to work hard to develop its processes and increase productivity.

Over the years, Beko Elektronik A.Ş. has reached a position of strength in the sector as a result of its trustworthy relationship with consumers. In 2007, total TV sales amounted to 3,435,707 units. The Company's exports of these units made up 73% of all its sales. Beko Elektronik A.Ş. follows technological advances and consumer trends very closely and reflects the changes in its products and production processes. With the transition from analogue technology (CRT) to digital technology (LCD), CRT sales decreased in 2007 while the Company saw a rise in LCD sales.

With the knowledge that we are working in a sector that is marked by rapid technological change, the Company is continuing to work hard to develop its processes and increase productivity. In the production line to produce a TV, 16% improvement was made in the workmanship hours in 2007 compared to the previous year. Ongoing projects are aiming at productivity increases and continuous improvement activities.

High production technologies and modular designs along with our efforts to produce cost-effective products resulted in cost reductions in 2007. Alternative suppliers were found for the purchase of raw materials and changes were made in design to improve product costs.

Our Company realizes the importance of working more shrewdly in a period characterized by stronger competition and accelerated change. Consequently, we used this change as an opportunity for progress to strengthen our position for the future. In 2007, we renewed all our product lines by introducing new vision and sound technologies. Thanks to our success, the products we displayed at the largest expositions in the sector were shown as reference product by large component producers and won numerous awards, as we have done in previous years.

These accomplishments once again demonstrate that we are working with great resolve towards our goal.

Beko Elektronik, which made 99% of its exports to Europe last year, offers products to consumers from different and creative profiles, with a state-of-the-art LCD line, modern and flexible production technologies, a strong marketing and distribution network and high-quality software and design. Qualified employees, service based on customer satisfaction and investments and activities to produce our own technology comprise the basics of our Company culture.

Despite the increasing competition in its sector, the Company has continued its strong position in Turkey, increasing its market share from 40.5% in 2006 to 41.5% in 2007. In tandem with the growth in Turkey, our presence in Europe with the Grundig brand has also continued to increase, and its LCD market share in Germany rose to 4.1% in 2007, up from 3.1% the previous year.

Thanks to its innovative products in the consumer electronics sector, Beko Elektronik A.Ş. is continuing stalwartly on its journey to become one of the leading international players in high tech markets.

Unit Sales

	2007	2006	% Change
TVs-Domestic	929,351	1,124,271	-17.3
TVs-International	2,506,356	3,866,234	-35.2
Cash Registers	46,381	54,409	-14.8
PCs/Notebooks	109,071	93,962	16.1
Satellite Receivers	236,926	192,191	23.3

INVESTMENTS IN CAPACITY

For high production capacity, we invest in high technology.

Beko Elektronik A.Ş. believes in the value of the investments it makes in technology and human resources, and is convinced that this is the only path to consistent and permanent success. As the Company continued its rapid advancements, its total investments in 2007 amounted to Euro 13.3 million. With its new production lines for digital products, Beko Elektronik A.Ş. increased its ratio of LCD in total production capacity from 28% in 2006 to 35% in 2007.

2006 Capacity

2007 Capacity

Distribution of Investments
(EUR Million)

STRONG RESEARCH & DEVELOPMENT

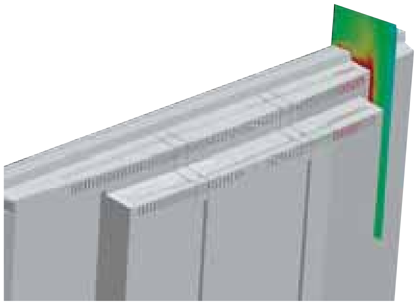
The birthplace of innovative ideas: Research and Development

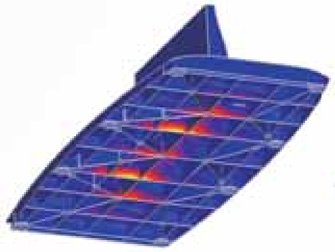
Commitment to R&D manifests itself in the form of investment. Since its inception, Beko Elektronik's dynamic and experienced team has been closely monitoring advances in technology and developing customer focused products which are transforming the consumer electronics sector.

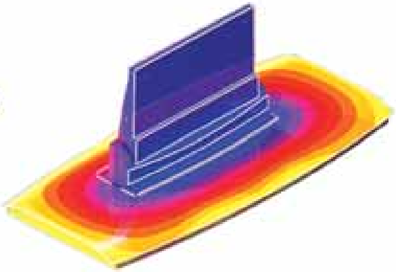
Beko Elektronik A.Ş. believes that sustainable achievement is not possible without investment in R&D. In keeping with this principle, the Company's R&D department follows the latest advances in technology around the world and constantly improves its knowledge through continuous education.

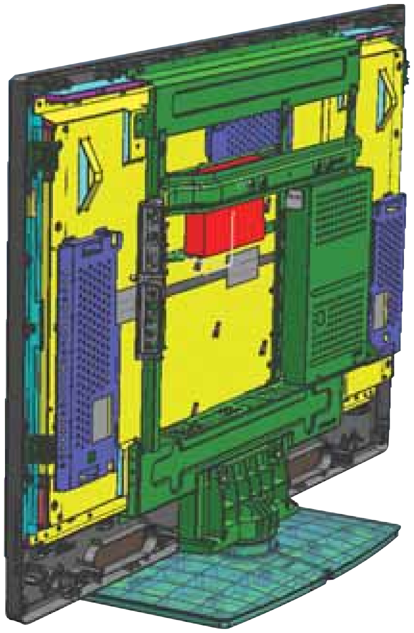
A dominant global trend in recent years in the area of consumer electronics is the rapid transition from analogue to digital technologies. In 2007, Beko Elektronik A.Ş. attained the same level in digital technologies as it has in analogue where it is able to create its own designs. All of its products based on latest digital technology have received all necessary international certification.

The Company's Research and Development activities are undertaken with the principle of producing consumer, quality, cost focused products through a rapid design process and to launch these products on the market at the right time. With this goal, partnerships are forged with the world's leading technology companies, institutions and universities, thereby keeping Beko Elektronik one step ahead of the competition.









Beko Elektronik's R&D activities take place at three centers by more than 180 competent, experienced and energetic engineers.

R&D Centers are located in:

- Beylikdüzü, Istanbul
- Izmir
- Nürnberg, Germany

Through its Beylikdüzü plant, the R&D Department works in three areas: mechanics, hardware and software design. The Department designs conventional TVs, LCD TVs, Set-Top-Boxes, HDD DVD Recorders and Combo TVs, as well as conducts projects meeting customer needs and expectations.

Among the innovative products developed in 2007 are LCD TV's with lower energy usage and higher recyclability rates, which are lighter and thinner and more easily assembled, take less time to produce, and feature 100Hz-FHD-Full Motion and increased dynamic contrast ratios. These electronic technologies, coupled with new design, led to the creation of products which won some of the world's most prestigious awards in 2007.

Beko Elektronik A.Ş.'s state-of-the-art software and hardware technology, which has distanced itself from the competition by its superior video and sound performance, is presented to consumers under the officially patented "VisionArt" moniker technology.

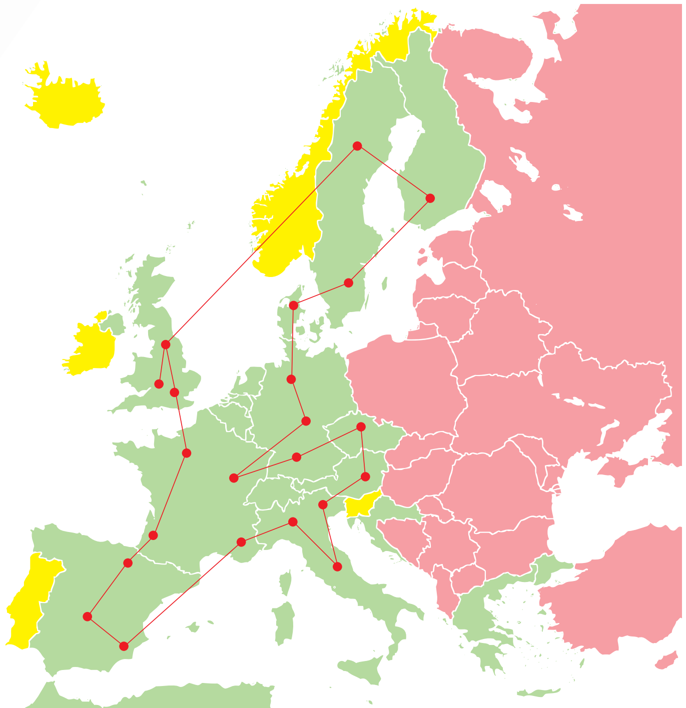
Our products' packaging has been completely overhauled with new prints and structures to strengthen our leadership position in the local LCD TV market.

In 2007, field tests were conducted in 10 European countries covering 20 regions to test and verify the performance of the products.

At the same time, work has begun on the development of LCD TVs which does not consume any energy in the stand-by mode, HD Set-Top-Box with HD broadcast reception capability and iPod connectivity, LCD TVs with USB connection supporting Divx and MP3 formats, sound projector structure working with sound systems integrated to the LCD TV and LCD TV with "touch key" technology. The Company has also started to work on developing interactive Hotel TV products for the first time to offer B2B business model products.

As a result of the Six Sigma trainings, projects were started to improve the R&D processes in terms of quality, time and cost. Moreover, all R&D project management process have been strengthened with new infrastructures to become more productive.

In 2007, the Company had completed 20 patent applications, ranking third in Turkey in this regard. In terms of the consumer electronics sector, Beko Elektronik A.Ş. was ranked number one in overall patent applications.



NEW PRODUCTS

We look at our environment from a screen wide enough to see our future.

Environment-Friendly Products

In 2007, production began on environment-friendly televisions with 15" and 19" screen sizes. These new TVs, which are 80% made from recyclable materials and save 65% energy on the stand-by mode and 50% on the running mode, are a result of our sensitivity to the nature. Although initially designed for small screen televisions, this technology will be augmented to larger screen TVs in 2008.

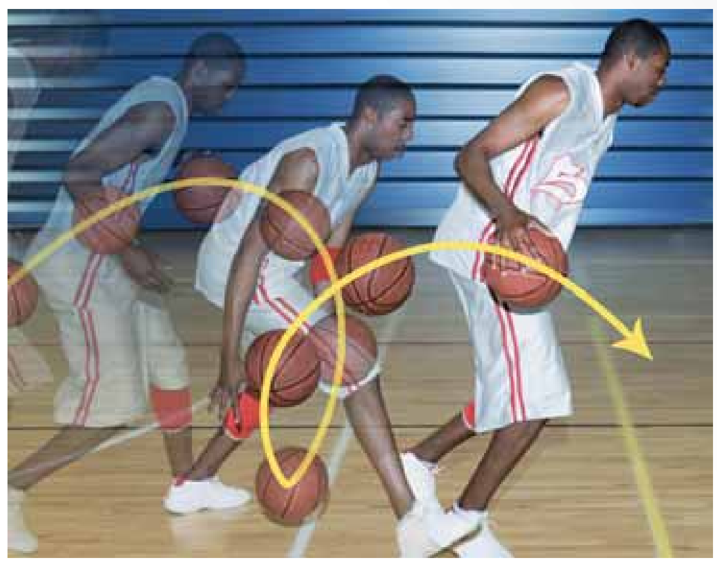
For 2008, the Company has obtained the right to join the Sustainable Energy Europe Commission with its 15" and 19" size screen Grundig brand televisions designed with the same concept.

100 Hz + HD Ready LCD TV

100 Hz and HD Ready products designed for the Grundig and Beko brands in the domestic and global markets are now available in 37" and 40" screen sizes. The 32" screen size model will be available in April of 2008.

Full Motion LCD TV

In 2007, Beko Elektronik A.Ş. launched its Full Motion LCD TV onto the LCD TV market, the first of its kind in the world with this type of high technology in order to meet the discriminating needs of today's consumers. LCD televisions with "Full Motion" technology, available in 37" and 42" screen sizes, improve the motion picture performance and provide the highest level of satisfaction watching TV. Additionally, these sophisticated TVs eliminate problems such as motion blur and film judder occurring due to rapid transitions in viewed content widely experienced in previous models. "Full Motion" with its Full HD technology offers two times more detail compared to HD Ready sets and provides perfect video quality immitating reality.



NEW PRODUCTS

First we dream, and then we produce technology.

Full HD LCD TV

The Full HD LCD TV targeting global markets for the Beko and OEM brands is available in 37″ and 42″ screen sizes. In addition to all the Full HD specifications, this product features 3 HDMI connection and Dolby Virtual Sound Output.

D-Smart Digital Satellite Receiver

D-Smart, Turkey's new digital platform which began broadcasting in 2007 has chosen the Arçelik and Beko brands as one of its business partners. D-Smart products are being produced in our factories as CKD (Complete Knocked Down) kits.

New Designs 2007

New Plastic Families - Titan and Titan1

Titan and Titan1 families designed to service OEM brands allow different color options and are price competitive. They are currently available in 19″W, 32″, 37″, 40″ and 42″ screen sizes. The 26″ screen size model will be available in March of 2008.

New Glossy (Heat&Cool) Family-Edge

The new glossy Edge family designed to service Beko and Arçelik in domestic markets and Beko globally are now available in 32″, 37″, 40″ and 42″ screen sizes.

New Glossy (Heat&Cool) Family-Piano

The Piano family with its shiny from itself design, aiming towards global markets via the Grundig brand and domestic markets through the Beko and Arçelik brands, is currently available in 32″, 37″, 40″ and 42″ screen sizes. This family of TVs, offering black and white shiny surface alternatives on the front frame, has different color alternatives such as silver, black, ice blue and red for the speaker grill.

We offer products that catch the pace of life.

Grand Prix 2007 Series Desktop and Laptop Computers

In 2007, desktops with the "Grand Prix" design and Intel 4-core processor technology and laptops with the new Intel Centrino processor technology were offered to the consumers. The Intel 4-core processor technology used in the world's fastest computers and Beko's "Grand Prix Series" is known as the most sophisticated processor in the world today.

The "Grand Prix Series" desktop computers enable many transactions to be performed at a high performance with the unmatched power of the Intel processors. It offers lower power consumption to the users with a faster system and database for increased productivity and performance. Turkey's first 4-core game computer, fully equipped with the latest specifications, the "Grand Prix Series" is a perfect choice for computer game fanatics. Its attractive design, plus specifications enabling each game to run in the fastest way possible, plus its excellent sound performance, have already made it a favorite among consumers. Its 512 MB independent graphics card, double core "Intel Core 2 Duo" processor, 2 megapixel camera and new Intel Centrino processor make it easier to operate and maintain. This multiple use laptop also has fingerprint reading capabilities.

Beko MiniBIG

Launched in 2007, Beko's new computer MiniBIG features TV broadcast recording capabilities, making it an invaluable depository for movies and music. With the MiniBIG's elegant and silent hardware, consumers can enjoy the fun of the computers without the usual fan noise and benefit from a wireless keyboard and remote control.

The MiniBIG's web cam, which is compatible with all other USB products, and its wireless internet connection capabilities, make it simple and practical to use just about anywhere all around the world where there is internet availability.

Thanks to its sophisticated Centrino Duo platform Intel processor technology, the MiniBIG computer uses 30% less energy compared to other processor technologies.

AWARDS AND SUCCESSES

Beko Elektronik A.Ş.'s numerous awards are the symbols of its national and international successes.

"iF Design 2008" and "CES 2008 Design and Innovation" Awards

"iF Design 2008", one of the world's leading design competitions, bestowed upon Beko Elektronik A.Ş. its "Best Design" award for the Company's LCD televisions designed and produced in 2007. Winning over many well-known international brands, Beko Elektronik's futuristic 42" Piano Series 100Hz LCD television also garnered the "2008 Design and Innovation" award given annually at CES, the world's largest consumer electronics trade show.

The 42" Piano Series 100Hz LCD television captured the iF Design award on the basis of its minimalist design which brings movement and life to its environment with its discreet looks coupled with its high technology and superior sound and vision features.

The television comes with the novel "VisionArt" technology offering consumers the best and most natural resolution quality with life-like colors and clear vision in both dark and bright scenes. Its 100Hz technology, which works twice as fast as standard LCD TVs, makes for more enjoyable viewing, catching all the details in moving pictures such as sports competitions. By utilising the highly developed FRCH microprocessor, the Piano Series television analyses the content to be displayed, frame by frame and makes it possible to obtain a flawlessly flowing picture by inserting an additional artificial frame generated by a mathematical model between two consecutive frames.

Grundig FineArts wins the coveted "Red Dot" Award, known as the Oscar of the Design Awards.

Red Dot Design Award

In 2007, Grundig FineArts received the coveted "Red Dot" Design Award, known as the Oscar of the Design Awards.

Worldstar-Award for Packaging Excellence

Beko Elektronik A.Ş. won the 2007 Worldstar Award in the "LCD TV Packaging without EPS" category.

Test Winner Award

Lenaro LCD TV model won the Test Winner Award given by TV-Movie Multimedia and Video-Magazine, Germany's leading electronics magazines.

The Company was granted the Test Winner Award with its Grundig FineArts model in July of 2007.

Berlin IFA Fair

Our pioneering products were on prominent display at the annual Berlin IFA Fair, a showcase for innovation and technology of the future and one of Europe's most prestigious trade fairs.

French IT Magazine

French IT Magazine lauded Beko as one of the top brands offering innovative products.

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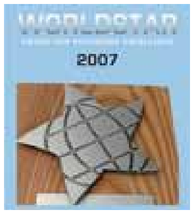


Winners 2007

WPO
WORLD PACKAGING ORGANISATION

A QUALITY JOURNEY

Beko Elektronik A.Ş., with its Company policy that embraces continuous improvement, has taken important steps in upgrading its production and quality processes, is creating customer satisfaction beyond expectations and enhancing operations which are sensitive to the environment and community in which we live and serve.

Production Quality - Product Quality - Productivity

Beko Elektronik A.Ş., which employs the Total Productive Maintanence (TPM) as a means towards achieving the Company's goals, conducted a number of projects in 2007 designed to improve efficiency, cost, quality and motivation.

The Company organized 712 training programs last year for blue-collar workers on such topics as equipment, process and TPM methodology.

Among the improvement programs executed in 2007, Kaizen activities in the categories of productivity, cost and quality brought significant financial gains and contributed to improving competitiveness. Other Kaizen activities in the areas of Morale, Environment and Occupational Safety played an important role in improving the working environment and increasing motivation.

In line with its decision to apply for the TPM Continuous Excellence Award, the Company began receiving consultant services from JIPM-S. Consultants visited the Company at quarterly intervals and provided information on what kind of activities should be done in the context of Part II.

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

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

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

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

QUALITY MILESTONES

1983 Initiation of Quality Circles training and practices

1989 Beginning of work on ISO 9001

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

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

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

1994 1994 SGS Yarsley - BS 7750 Environment Management Systems Certificate and Green Dove Award (first Turkish company nominated in all sectors and first company in the world nominated in its own sector)

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

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

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

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

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

2004 SA8000 Social Responsibility System Certificate-SGS Yarsley

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

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

2007 ISO 27001 Information Security Management Systems Certificate
iF Design Award
CES Design and Innovation Award
Red Dot Design Award
Sony Green Partner
20. Golden Packaging Award (TSE)
Worldstar Packaging Award (World Packaging Organization)
OHSAS 18001:2007

GRUNDIG

The most powerful move in Beko Elektronik A.Ş.'s growth strategy is to position Grundig as a global brand first in Europe and, consequently, in the world.

The main strength of Beko Elektronik's growth strategy is the repositioning of the already well-known Grundig brand, first of all in Europe and then around the world, and making it a global brand in the consumer electronics industry. By acquiring 50% of the Company's shares along with the English partner Alba Plc, the partnership's new marketing, brand positioning and distribution strategies started in 2004 have increased the Company's LCD share in the German market from 3.1% in 2006 to 4.1% in 2007.

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

With its “Made for you” slogan, Grundig emphasizes its favorable price-performance ratio, targeting the middle and higher segments to position the brand. By continuously improving itself, Grundig aims to increase its market share with a product portfolio aligned with the Company's vision and supported with sound management strategies and become the brand of choice in the middle and premium segments of the market.

In 2007, with the Board of Directors’ Resolution a fully paid increase of Euro 78,085,000 to Grundig's capital was decided. Since Beko Elektronik A.Ş. owns 50% of the Company's shares; it was provided Euro 39,042,500 of this capital increase.

In line with our Company's growth strategy, 50% of the shares of Grundig will be purchased from Alba Europe Limited for Euro 35,000,000 paid in cash during the transfer and pre-determined ratio of Grundig sale revenues of England and Ireland markets between 2008 and 2012 (4% for 2008-2010 and 2% for 2011-2012) within 5 years interval.

GRUNDIG


BEKO

CORPORATE SOCIAL RESPONSIBILITY REPORT

"We believe that mankind itself is the most important source of power in providing effective solutions to the problems of the community in which we live."

EMPLOYEES, SOCIAL AWARENESS AND THE ENVIRONMENT

All employees who contribute to the existence of the Company are members of the Beko Elektronik A.Ş. family.

Social Responsibility Policy

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

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

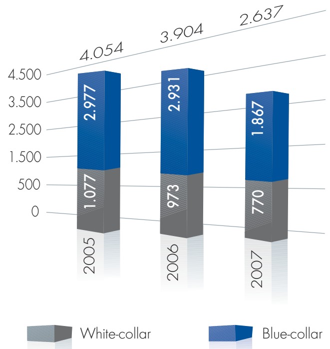
All employees who contribute to the existence of the Company are members of the Beko Elektronik A.Ş. family. In 2007, the consolidated average number of employees was 2,637. Of these, 770 were white-collar employees and 1,867 were blue-collar. The Company implements the collective agreement signed between MESS (the Turkish Metal Industry Union) and the Turkish Metal Workers Union on October 20, 2006. This agreement will be in force from September 1, 2006 to August 31, 2008.

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

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

The OHSAS 18001:2007 standards were published in July of 2007, and Beko Elektronik was the first company that came into compliance with the new regulations, doing so in merely one month, by August of 2007.

Average Number of Employees



	2005	2006	2007
Sales per Employee (EUR Thousand)	299	257	289

Environment, Occupational Health and Safety Policy

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

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

Waste Management

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

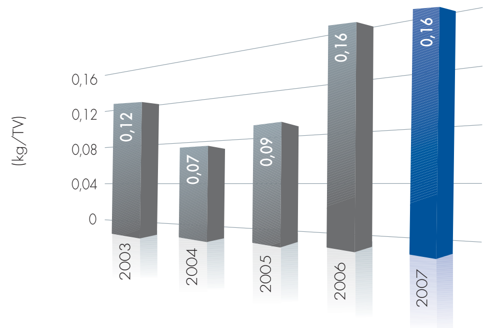
Reducing Solid Waste and Raw Material Consumption

As part of its environmental awareness, the Company has recovered Styrofoam waste since 1999, plastic waste since 1997 and hydrochloric acid since 1992 in order to reuse them in production processes.

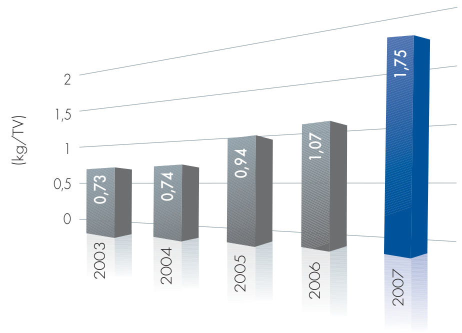
Upgrades implemented in 2007 enabled the Company to achieve a 20% cost savings in waste management.

Partial transition to water-based dyes in 2007 resulted in a 15% decrease in the use of solvent-based dyes, thus reducing the VOC (Volatile Organic Compound) emissions.

Hazardous Waste Eliminated per TV by Years



Waste Recovery per TV by Years



Occupational Health and Safety Program

There are ongoing efforts to minimize the Health and Safety Risks to provide a safe work environment for all workers. Personal protective equipment is used wherever necessary and process selection is based on a health and safety evaluation.

Environment-Friendly Design

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

Endeavors in this regard include the following:

- Recyclable materials are preferred in mechanical designs. Plastic parts are produced with minimum raw material and design modifications help reduce weight.
- Electronic designs conform to criteria such as Electromagnetic Compatibility Control and the reduction of stand-by power consumption, thus resulting in energy savings for the Company.
- With our new product portfolio, the use of recyclable material has exceeded 75% in terms of weight; a savings of 50% has been achieved in the stand-by mode and energy consumption; product weights have been reduced by 45%; and packaging material weights have been reduced by 25%.

Energy Saving Efforts

Beko Elektronik A.Ş. pursued its environmental social responsibility in 2007 by improving products in terms of energy consumption:

- The improvements in the steam boilers used for Styrofoam production yielded a 54% energy savings, while upgrades in the cooling towers yielded a 55% energy savings.
- Improvements in the steam boiler in the plastics plant resulted in 10% savings in fuel consumption.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. Corporate Governance Principles Compliance Statement

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

According to decision No. 48/1588 of the CMB, adopted on December 10, 2004, companies whose shares are traded on the Istanbul Stock Exchange (ISE) are required to issue a statement regarding their compliance with corporate governance principles in their annual reports and on their websites beginning with their 2004 annual reports. Consequently, since 2004, Beko Elektronik has added the following information to its Annual Reports and website concerning its compliance with the following principles. The CMB updated its “Capital Markets Board Corporate Governance Principles” in accordance with the “OECD Corporate Governance Principles” which were published in 1999 and revised in 2004. Beko Elektronik A.Ş.'s 2007 Corporate Governance Report was prepared according to the new principles.

SECTION I - SHAREHOLDERS

2. Investor Relations Unit

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

- To respond to both written and verbal requests for information about the Company and provide all written and oral information with the exception of information that cannot be disclosed to the public, is confidential or is a trade secret;
- To ensure that records on shareholders are kept and updated accurately and securely;
- To ensure that the General Meeting of shareholders is conducted in accordance with all applicable legislation and the Articles of Association of the Company;
- To prepare General Meeting documents that would be useful to shareholders, to record voting results and to ensure that a report of the proceedings is duly sent to shareholders upon request;
- To promote the Company to individual and corporate investors in and out of the country;
- To provide information to analysts evaluating the Company;
- To provide information to academicians researching the sector and/or the Company itself;
- To make the necessary material disclosures to the ISE and the CMB, in line with the CMB's Communiqué No. 39, Series VIII;
- To provide information to investors at national and international meetings;
- To follow changes in capital markets legislation, and to alert all relevant Company departments to such changes;
- To provide both Turkish and English content for the Stockholder Relations link in the corporate website (www.bekoelektronik.com.tr), update said content and provide support for stockholders desiring to access the website for Company information;
- To represent the Company in relations with the Capital Markets Board, the Istanbul Stock Exchange and the Central Registry Agency.

Employees in Charge of Investor Relations:

C. Ş. Oğuzhan Öztürk
General Manager

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F. Bülent Alagöz
Finance Manager

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Finance Specialist

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Demet Yılmaz
Finance Department

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demet.yilmaz@beko.com.tr

Fax: +90 212 872 12 98

3. The Use of Shareholders Right to Obtain Information

The Company treats its shareholders equally regarding their rights to access and review information. To ensure that shareholders are informed in a more reliable manner, the Company offers them electronic versions of its financial statements as well as other up-to-date information and documents in both Turkish and in English.

In 2007, requests for information by shareholders were handled either orally or in writing in compliance with the capital markets legislation and without discrimination against any shareholder or shareholder group. In 2007, necessary formalities were completed for approximately 50 independent financial institutions, funds and investors, excluding stockholders requests for information concerning head office operations. All required projects and applications that are reinforced by the Public Clarification Project were completed, along with all documents including special explanations and financial results, as well as other information on the Company itself that was required to be shared online with the Capital Markets Board and the Istanbul Stock Exchange. In addition to the financial statements available on the Company's website, various types of information which can assist the exercise of shareholder's rights have been updated and made available.

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

The Company's financial operations are audited regularly by the independent auditing firm Başaran Nas Yeminli Mali Müşavirlik A.Ş., a member of PricewaterhouseCoopers, as well as by internal auditors elected at the General Meeting. No provision exists in the Company's Articles of Association that requires the appointment of a special auditor and no request has been made during the reporting period regarding the appointment of such an officer.

4. Information on Shareholders Meeting

The General Meeting of shareholders was held on April 3, 2007 at the Istanbul Divan Hotel, Elmadağ to discuss 2006 results. As stated in the list of attendants, the majority of shareholders were present at the meeting, which was also attended by various individual shareholders, stakeholders and media members. Of the 17,400,000,000 stocks that comprise the capital of the Company, 13,957,157,700 (80.21%) were represented in the session.

- The date, venue and agenda of the General Meeting was published in two national newspapers and in the Commercial Registration Gazette, and announced to the public through material disclosures.
- Starting on the date shareholders were invited to the General Meeting, the Annual Report for 2007, financial statements, the Agenda for the General Meeting, changes made to the Articles of Association and its most recent text were made available to shareholders at the headquarters and on the Company's website, thus providing convenient access to information about the Company.
- Forms of proxy statements are available inside the General Meeting announcement folder and on the Company's website.
- No request for any additions to the General Meeting Agenda was made by shareholders in 2007.

The Company's 2007 Annual Report was made available to shareholders at the Company headquarters before the General Meeting. The Company's General Meeting of shareholders was held on April 3, 2007 to discuss 2006 operations, and a date, April 3, 2008, was decided upon for the General Meeting that will discuss 2007 operations. Invitations to the General Meeting are made according to the provisions of the Turkish Commercial Code (TCC), the Capital Markets Law and the Articles of Association of the Company. The decision of the Board of Directors concerning the calling of a General Meeting of shareholders is announced to the public through disclosures made to the ISE and the CMB.

In accordance with the Company's Articles of Association, the Board of Directors has been authorized by the General Meeting of shareholders to make decisions on major asset purchases and leases.

The Minutes of the General Meeting will be accessible on the Company's website at www.bekoelektronik.com.tr and also at the headquarters.

General Meetings are held in the least costly and simplest possible manner to prevent discrimination among shareholders. Furthermore, all General Meeting documents and agendas that may be needed by foreign shareholders are translated into English and made available to shareholders through clearance and custody banks in Turkey.

Any shareholder who is registered with the Central Registry Agency-Disclosure Listings holds an access to the General Meeting is entitled to make comments on the Company's operations, request information from Company management, and receive answers to his/her questions. The votes of shareholders on items on the Agenda of the General Meeting are recorded in the Minutes. Each agenda item is voted on separately. The General Meeting convenes under the surveillance of a government representative from the Ministry of Industry and Trade.

5. Voting Rights and Minority Rights

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

6. Dividend Policy and Deadline for Dividend Distribution

The Company has adopted a consistent dividend policy that complies with the corporate governance principles and balances the interests of shareholders and the Company. An effort is made to ensure that, regulations and investment needs permitting the average dividend presented for approval at the General Meeting by the Board of Directors is not less than 50% of the Company's annual distributable earnings.

The distribution of profit may be, in accordance with CMB communiqués, in the form of cash or by capitalization issue. The Company's Articles of Association do not contain any privileges with regard to shares in Company profit.

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

7. Transfer of Shares

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

SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company Information Disclosure Policy

The Company makes material disclosures in accordance with Communiqué No. 39, Series VIII, of the CMB. Developments that may have an impact on the Company's securities are announced to the public within the specified timeframe. Further developments are subsequently updated and disclosed to the public.

The Company's Board of Directors, management, managers of foreign subsidiaries and information about appointments and departures are listed below:

Board of Directors 2007

Rahmi M. Koç
Chairman of the Board

Dr. Bülent Bulgurlu
Vice-Chairman

Temel K. Atay*
Board Member

Aydın İ. Çubukçu*
Board Member

İ. Tamer Haşimoğlu
Board Member

A. Gündüz Özdemir
Board Member

Fatih K. Ebiçlioğlu
Board Member

C. Ş. Oğuzhan Öztürk
Board Member

Members of the Audit Board

Mert Ş. Bayram

Kemal Uzun

*Temel K. Atay and Aydın İ. Çubukçu are also members of the Audit Committee.

**Board members are elected annually at the Ordinary General Meeting of Shareholders. All Board Members who were elected at the April 3, 2007 meeting complied with the stipulations set forth in the Articles of Association.

Management 2007 (December 31, 2007)

Cemal Şeref Oğuzhan Öztürk
General Manager

A. Ercan Şenolur
Assistant General Manager, Production

Erkan Duysal*
Director, Research & Development

Management of Subsidiaries Abroad (December 31, 2007)

Tevfik Adnan Tüfekçi

General Manager - Beko Elektronik LLC

Michael Peterseim*

General Manager - Grundig Multimedia B.V.

*Appointments 2007

Erkan Duysal, Director, Research&Development (appointed on August 1, 2007)

Michael Peterseim, General Manager (appointed on October 1, 2007)

Resignations 2007

Tibet Mimaroğlu, Assistant General Manager, Research&Development (left the Company on April 13, 2007)

Hans-Peter Haase, General Manager (left the Company on October 1, 2007)

The Company posts Turkish versions of all material disclosures concurrently on its website as well as to the PDP (Public Disclosure Project) in Turkish.

All inquiries from third parties were directed either to the Senior Management or to the Finance Department, depending on the nature of the inquiry of the limits and authority of the person in question.

The Company prepares consolidated financial statements and accompanying notes in accordance with the Capital Markets Board's Communiqué Series XI, No. 25 and UMS/UFRS regulations. These financial statements and notes are disclosed to the public after being audited by an independent auditor.

Annual Reports are prepared in compliance with securities legislation, CMB regulations and Chapter 2, Article 3.2.2 of the CMB's Corporate Governance Principles.

9. Disclosure of Material Events

The Company made 14 material disclosures in 2007. No further information was requested by the CMB or the ISE concerning these disclosures. Since the material disclosures were made within the legally specified timeframes, no sanctions were imposed by the CMB.

10. Company's Website and Its Contents

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

The website contains the following information:

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

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

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

There are no special circumstances which might influence investors in the event the names of the individuals who are the ultimate controlling shareholders of the Company are disclosed. Since the public already knows that members of the Koç family are ultimate controlling shareholders, no separate calculation or disclosure has been made.

12. Disclosure on Insiders

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

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

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

SECTION III-STAKEHOLDERS

13. Informing Stakeholders

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

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

14. Participation of the Stakeholders in the Management

The Company has created mechanisms and working models that support the participation in Company management of employees and other stakeholders. Feedback and recommendations from stakeholders are fed into decision-making mechanisms in a manner that would prevent disruptions to Company operations. Decisions on changes in working conditions, the working environment and workers' compensation are made jointly, after obtaining the opinion and approval of the labor union.

15. Human Resources Policy

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

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

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

Efforts regarding collective agreements are managed through contacts with union representatives who are authorized to represent workers according to the Trade Union Law. In this regard, the Company's goal is to ensure sustained cooperation and unity between the worker and the employer, and to find solutions to problems that may arise within the context of the law and the collective agreement.

The Company provides the best possible conditions for its employees and a working environment that ensures security and productivity. The Company is committed to complying with all legal standards and regulations.

Beko Elektronik's goal in the hiring and placement processes is to meet the current and future business needs of the Company. With this in mind, it tries to create job opportunities, which will provide mutual benefit to both the employees and the Company. It provides equal opportunities in the hiring and placement processes to all candidates who possess the necessary qualifications in terms of education, knowledge, skills, competence and experience.

The Company's training and personal development efforts aim at promoting continuous development and supporting individual performance. The Company formulates training policies and organizes equipping programs for employees geared at increasing their knowledge, skills and experience.

Beko Elektronik believes that individual achievement is at the very core of organizational accomplishment. In this regard, the Company makes use of various development management systems to improve employee performance in line with Company goals.

Beko Elektronik's salary management philosophy is to determine a fair and competitive employment policy that complies with the law.

In order to encourage behavior that will ensure the best practices and provide motivation, loyalty and productivity, the Company acknowledges every achievement, innovation and recommendation, and provides recognition to its employees.

16. Information on Relations with the Clients and Suppliers

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

As a consequence of years of numerical and technological growth, and with the conviction that its customers are its business partners, ever-expanding high-tech Call Center directly handles all kinds of inquiries, problems and suggestions of customers, twenty-four hours a days, seven days a week. Each concern is carefully evaluated and passed along to project teams equipped to meet the needs of customers.

Capitalizing on the advantage of its latest technology, the Call Center offers numerous communication channels for its customers. In addition to phone and e-mail, it is also possible to access the Center via fax and regular mail. The Center responds to the majority of requests immediately. By handling customer requests promptly and conducting customer satisfaction surveys to collect feedback from the field, the Call Center is enabling the Company to seize developmental opportunities. In so doing, it is continuously raising the bar in terms of service quality.

17. Social Responsibility

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

SECTION IV - BOARD OF DIRECTORS

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

The eight-member Board of Directors is composed of a Chairman, a Vice-Chairman and six members. Following the General Meeting of the shareholders where the Board of the Directors is elected, a Chairman and Vice-Chairman are appointed by means of a decision concerning the division of their responsibilities. Should any position on the Board of Directors become vacant during the term of office, the provisions of Article 315 of the Turkish Commercial Code apply.

Rahmi M. Koç, Chairman of Beko Elektronik A.Ş. is a major shareholder of the Company and the Koç Group. Dr. Bülent Bulgurlu, the CEO of Koç Holding is the Vice-Chairman of the Board of Directors. There are no independent members on the Board of Directors. All the members of the Board of Directors have worked in various sectors for many years and are experienced in the business of the Company. The Company benefits much from the knowledge and experience of its Directors. The Directors are able to voice their opinions openly, free from any influence.

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

19. Qualifications of Board Members

Board Members possess the qualifications specified in Section 4, Articles 3.1.1, 3.1.2, 3.1.3 and 3.1.5 of the CMB's Corporate Governance Principles. As required by the Articles of Association, Board Members are all university graduates and have had many years of experience in the public or private sector. They are competent executives who are specialists in the activities of the industry. However, the Company's Articles of Association do not include any provisions in this regard.

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

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

Pursuant to the Company's Articles of Association, the Board of Directors meets regularly. In these meetings, the goals and activities of the Company are discussed, taking into account the performance in previous periods. The existing status of the Company is reviewed and new goals and strategies are developed when necessary.

21. Internal Control and Risk Management Mechanism

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

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

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

23. Principles of Activity of the Board of Directors

The Board of Directors sets its agenda for Board meetings in accordance with the proposals presented to the Board and the Company's executive management by the various departments in matters that require a Board decision according to the Articles of Association.

The Board of Directors is charged with making decisions according to the business requirements. In the meetings of the Board of Directors all kinds of opinions and matters can be freely shared. No such disclosure was made in 2007, since no dissenting opinion was voiced during Board meetings.

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

Although there is no rule restricting any member of the Board of Directors from dealing or competing with the Company, no Director is doing so at the present time.

25. Ethical Rules

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

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

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

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

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

An Audit Committee has been set up to ensure that the Board's duties and responsibilities are duly fulfilled. In 2007, Temel K. Atay and Aydın İ. Çubukçu were elected to the Audit Committee by the Board of Directors. The Audit Committee works regularly and in accordance with the format specified in the Capital Markets Law and within the framework of the CMB's Corporate Governance Principles. The Committee's duties include evaluating the Company's financial statements and performance. It meets every three months and presents a report of its investigations to the Board. There are no other committees within the Board of Directors. The members of the Audit Committee are not independent members.

27. Remuneration of the Board of Directors

The financial benefits to be offered to Board Members are decided at the General Meeting of shareholders. The General Meeting of April 3, 2007 decided that Board Members would receive compensation for their services, a sum amounting to a gross monthly salary of YTL 1,155. Other than the advance payments made in accordance with the Company's business procedures, no loans are made to Board Members and executives. Guarantees such as sureties in favor of these persons are also prohibited.

AGENDA

Beko Elektronik A.Ş.
Ordinary General Meeting of Shareholders
April 3, 2008
Meeting Agenda

1. Opening remarks and election of the Meeting Board.

2. Reading and discussion of the reports of the Board of Directors, Board of Auditors and the independent auditing firm Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) on the activities and accounts for the year 2007; acceptance, change or rejections of the proposal of the Board of Directors with respect to the balance sheet and income statement for 2007.

3. Release from liability of the members of the Board of Directors and the Board of Auditors with regard to the Company's accounts and operations in 2007.

4. Determining the number of members who will be serving on the Board of Directors until the next ordinary General Meeting of shareholders, where the accounts and operations of 2008 will be examined; election of new members.

5. Reelection or change of auditors who will be serving until the next ordinary General Meeting of shareholders, where the accounts and operations of 2008 will be examined.

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

7. Resolution of changing the Article 2 concerning "Title of the Company," provided that all legal processes regarding the share percentage increase of our company in Grundig Multimedia B.V. shareholder structure to 100% have been completed.

8. Resolution of changing the Article 3 concerning "Purpose and Object", Article 7 concerning "Registered Capital" and Article 25 concerning "Number of Votes" and Temporary Article provided that the Capital Markets Board and Ministry of Industry and Trade have approved before the Shareholders Meeting.

9. As required by the communiqué published by the Capital Markets Board on Independent Auditing Standards, approval of the independent auditing firm that has been appointed by the Board of Directors to examine operations and accounts in 2008.

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

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

12. Other requests.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

(FORMER TEXT)
TITLE OF THE COMPANY

Article 2 - The Title of the Company is **"Beko Elektronik Anonim Şirketi"** which shall hereinafter be referred to as "the Company".

(NEW TEXT)
TITLE OF THE COMPANY

Article 2 - The Title of the Company is **"Grundig Elektronik Anonim Şirketi"** which shall hereinafter be referred to as "the Company".

(FORMER TEXT)
PURPOSE AND OBJECT

Article 3 - The company was incorporated to be engaged in production and trade of any kind of industrial products and the main fields of activity of the company are:

- Various radios, tape recorders, record players, audio systems and accessories,
- Various televisions, TV projectors, accessories and other related devices,
- Various videotapes, cameras and home entertainment devices,
- Various computers, cash registers, electronic calculators and typewriters,
- Various command and control systems, wireless radios, telephones and accessories, military and civil electronic devices,

The company carries out all commercial and industrial activities related to the production, purchase and sales, import and export of the above-mention devices.

The company may perform the activities that fall within main field individually or jointly. It may realize the production under its own brands or brands of others, for and on behalf of others.

- The Company may participate in the institutions and associations that produce, distribute and market electrical energy, purchase their stocks for the purpose of participating in them and disposes of the same when necessary.

- The Company may purchase bonds and other securities, provided that they are not of the nature within Securities brokerage activities and portfolio administration, and make a disposition of them, purchase stocks for the purpose of participation in commercial banks, financial leasing, consumer credits and factoring companies and dispose of the same when necessary.

- The Company may contribute and donate to the foundations, associations, universities and such institutions established for social purposes, provided that such donations and contributions would not result in anything that may fall within the scope of the last paragraph of Article 15 of the Capital Markets Law, and on condition that those are submitted for information of the partners in the General Assembly including the activities carried out within the year and the necessary special case explanations are made.

With regard to its purpose and subject, the Company may;

A) Establish and administrate factories, workshops and stations; buy agencies, broker services and dealers or authorize others to carry out such activities.

B) Establish marketing, transportation organizations; carry out personnel training facilities; use and install computer systems, and carry out such activities individually or jointly.

C) Incorporate companies, participate in the incorporated companies, utilize partnerships or any other kinds of joint venture; carry out such activities also with foreigners provided that the legislation requirements are met and, wind up those companies when necessary.

D) Obtain brands, models, pictures, special manufacture and production procedures, know-how, patent rights; make license agreements and make a disposition of the same.

E) Realize import and export activities and participate in bids, carry out the same with local and foreign partners.

F) Make use of its knowledge and experience; establish plants and factories for others within the country or abroad.

G) Manufacture and import the required parts and spare parts of the products for the business or cause them to be manufactured and imported; carry out activities of purchasing and selling, importing and exporting of any raw materials, semi-finished goods and finished products.

H) Grant guarantees and other cautions for the credits to be obtained from the banks and other financial institutions, and accept securities as collateral for the financial commitments it undertakes.

If the Company wants to undertake works to be considered as useful for the Company other than ones listed above, the case shall be submitted for approval of the General Assembly upon the proposal of the Board of Directors and the Company will be able to carry out such works after a decision is made accordingly. However it is required to take permission from the Capital Markets Board at first, and then from the Ministry of Industry and Trade so that such decision concerning modification of the Articles of Association may be implemented.

(NEW TEXT)
PURPOSE AND OBJECT

Article 3 - The company was incorporated to be engaged in production and trade of any kind of industrial products and the main fields of activity of the company are:

- Various radios, tape recorders, record players, audio systems and accessories,
- Various televisions, TV projectors, accessories and other related devices,
- Various videotapes, cameras and home entertainment devices,
- Various computers, cash registers, electronic calculators and typewriters,
- Various command and control systems, wireless radios, telephones and accessories, military and civil electronic devices,

The company carries out all commercial and industrial activities related to the production, purchase and sales, import and export of the above-mention devices.

The company may perform the activities that fall within main field individually or jointly. It may realize the production under its own brands or brands of others, for and on behalf of others.

- The Company may participate in the institutions and associations that produce, distribute and market electrical energy, purchase their stocks for the purpose of participating in them and disposes of the same when necessary.

- **The Company may purchase securities, including stocks, bonds, depositary certificates, futures and option contracts, derivatives traded in finance markets, structured financial instruments inside and outside of the country provided that they are not of the nature within Securities brokerage activities and portfolio administration, and make a disposition of them, purchase stocks for the purpose of participation in commercial banks, financial leasing, consumer credits and factoring companies and dispose of the same when necessary.**

- The Company may contribute and donate to the foundations, associations, universities and such institutions established for social purposes, provided that such donations and contributions would not result in anything that may fall within the scope of the last paragraph of Article 15 of the Capital Markets Law, and on condition that those are submitted for information of the partners in the General Assembly including the activities carried out within the year and the necessary special case explanations are made.

With regard to its purpose and subject, the Company may;

A) Establish and administrate factories, workshops and stations; buy agencies, broker services and dealers or authorize others to carry out such activities.

B) Establish marketing, transportation organizations; carry out personnel training facilities; use and install computer systems, and carry out such activities individually or jointly.

C) Incorporate companies, participate in the incorporated companies, utilize partnerships or any other kinds of joint venture; carry out such activities also with foreigners provided that the legislation requirements are met and, wind up those companies when necessary.

D) Obtain brands, models, pictures, special manufacture and production procedures, know-how, patent rights; make license agreements and make a disposition of the same.

E) Realize import and export activities and participate in bids, carry out the same with local and foreign partners.

F) Make use of its knowledge and experience; establish plants and factories for others within the country or abroad.

G) Manufacture and import the required parts and spare parts of the products for the business or cause them to be manufactured and imported; carry out activities of purchasing and selling, importing and exporting of any raw materials, semi-finished goods and finished products.

H) Grant guarantees and other cautions for the credits to be obtained from the banks and other financial institutions, and accept securities as collateral for the financial commitments it undertakes.

I) **May establish all kinds of laboratories and research centers and/or have others establish them as necessary for the activities of the R&D department.**

If the Company wants to undertake works to be considered as useful for the Company other than ones listed above, the case shall be submitted for approval of the General Assembly upon the proposal of the Board of Directors and the Company will be able to carry out such works after a decision is made accordingly. However it is required to take permission from the Capital Markets Board at first, and then from the Ministry of Industry and Trade so that such decision concerning modification of the Articles of Association may be implemented.

(FORMER TEXT)

ARTICLE 7- REGISTERED CAPITAL

The Company accepted the registered capital system pursuant to the provisions of law no. 2499 and passed to such a system with the permission of the Capital Markets Board dated 04.03.1993 and no. 146.

The registered capital of the Company is 400,000,000 YTL (Four hundred million), and divided into 40,000,000,000 shares, each having a nominal value of Ykr 1 (One).

The issued capital of the Company is 87,000,000 YTL (Eighty seven million) which is totally paid-up, and divided into 8,700,000,000 shares, each having Ykr 1 nominal value.

The Board of Directors may increase the capital by issuing registered and bearer stocks, as the share denominations comprising of Ykr 1 (One) or its multiples, each representing the shares with a nominal value of Ykr 1 (One) up to the above mentioned registered capital amount. The stocks sold are paid for in cash and in advance. No new stock is issued until all of the issued stocks are sold and paid-up.

Board of Directors may issue stocks over their nominal values while deciding on the issuing of new stocks, and limit the rights of existing partners to buy new shares.

(NEW TEXT)

ARTICLE 7- REGISTERED CAPITAL

The Company accepted the registered capital system pursuant to the provisions of law no. 2499 and passed to such a system with the permission of the Capital Markets Board dated 04.03.1993 and no.146.

The Company's registered capital is 800,000,000 YTL (Eight hundred million) and is divided into 80,000,000,000 shares each worth 1 YKr (One).

The permit of Board of Capital Markets for the registered capital ceiling is valid for five years, from 2008 to 2012. Even if the registered capital ceiling is not reached by the end of 2012, permission from the General Assembly for a new period after taking the permission of the Capital Markets Board is obligatory if the Board of Directors decides to increase the capital for the previously allowed ceiling or a new ceiling amount. If the required permission is not granted, the Company is out of the registered capital system.

The Company's paid-in capital is a fully paid 348,000,000 YTL (Three hundred and forty-eight million) and has been divided into 34,800,000,000 registered shares each worth 1 YKr (One).

The Board of Directors may increase the capital up to the above mentioned registered amount, if necessary, from 2008 to 2012, according to the rules of the Capital Markets Board by registered shares with a nominal value of One YKr. The amount of the sold **share** is taken in cash and in one payment. New **shares** cannot be issued before all the existing **shares** are sold and their values are paid.

Shares representing the capital will be monitored by book-records within the principles of dematerialization.

Board of Directors may issue **shares** over their nominal values while deciding on the issuing of new **shares**, and limit the rights of existing partners to buy new shares.

(FORMER TEXT)
NUMBER OF VOTES

Article 25- Each stock with a nominal value of TL 5,000 has one voting right in the General Assembly meetings.

(NEW TEXT)
NUMBER OF VOTES

Article 25- Each stock with a nominal value of **YKr 1** has one voting right in the General Assembly meetings.

(FORMER TEXT)

Temporary Article:

While the nominal values of the stocks are TL 5,000., they have been changed as YKR 1 under the law on making changes in the Turkish Commercial Code no. 5274. As a result of such change, total number of shares has been decreased and 1 share amounting to YKR 1 shall be given for 2 shares amounting to TL 5,000.- Fraction receipt shall be issued for shares not rounded to YKR 1. The rights of the partners arising from the shares they hold with regard to the said change are reserved.

12, 13, 14 and 16th set of stocks which represent the actual capital shall be united in the 17th set due to this transaction. The rights of the partners arising from the shares they hold with regard to the share unification and set unification transactions are reserved.

Exchange transactions of the stocks shall be commenced by the Board of Directors under the relevant regulations after the dematerialization of the capital market instruments is put into practice.

(NEW TEXT)

Temporary Article:

While **each share** will have a nominal **value** of TL 5,000, **this has been amended as 1 Ykr as per the provisions of amended Article 399 of the law 5274 of the Turkish Commercial Code.** Due to such amendment, number of total shares has been reduced and 1 **share** having a nominal value of 1 Ykr will be granted against 2 shares having a nominal value of TL 5,000. Shares not reaching 1 Ykr **will be followed in fractions**. The rights of shareholders arising due to the said amendment will be reserved.

Share exchange operations will be performed within the adjustments made for the dematerialization of the capital market instruments.

BEKO ELEKTRONİK A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007 TOGETHER WITH THE AUDITOR'S REPORT (ORIGINALLY ISSUED IN TURKISH)

AUDITOR'S REPORT

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

Please find below the results of our audit on the 2007 accounting period of the Company.

1. The Company underwent a successful period in accordance with the Capital Markets Law and other applicable legislation.

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

3. We have concluded that the attached consolidated financial statements as of 31 December 2007 have been kept in accordance with the accounting principles announced by the Capital Markets Board, which we adopt, and that these statements accurately reflect the true financial condition and business results of the Company as of the above-mentioned date.

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

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

Yours truly,

Istanbul, 11 March 2008

Mert Ş. BAYRAM

Kemal UZUN

PRICEWATERHOUSECOOPERS

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

Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers
BJK Plaza, Süleyman Seba Caddesi
No: 48 B Blok Kat 9 Akaretler
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Beko Elektronik A.Ş.

1. We have audited the accompanying consolidated financial statements of Beko Elektronik A.Ş., its subsidiaries and joint-ventures (collectively referred to as the "Group") which comprise the consolidated balance sheet as of 31 December 2007 and the consolidated statement of loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Beko Elektronik A.Ş. as of 31 December 2007, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the financial reporting standards issued by the CMB (Note 2).

Additional paragraph for convenience translation into English

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

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

Haluk Yalçın, SMMM
Sorumlu Ortak, Başdenetçi

İstanbul, 10 March 2008

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

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2007 AND 2006

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

	Notes	2007	2006
ASSETS			
Current assets			
Cash and cash equivalents	4	18.099	21.604
Marketable securities (net)	5	-	-
Trade receivables (net)	7	139.437	213.413
Lease receivables (net)	8	-	-
Due from related parties (net)	9	190.510	402.198
Other receivables (net)	10	451	1.986
Biological assets (net)	11	-	-
Inventories (net)	12	338.101	374.936
Construction contract receivables (net)	13	-	-
Deferred tax assets	14	-	-
Other current assets	15	7.587	26.319
Total current assets		**694.185**	**1.040.456**
Non-current assets			
Trade receivables (net)	7	-	-
Lease receivables (net)	8	-	-
Due from related parties (net)	9	-	36.144
Other receivables (net)	10	-	146
Financial assets (net)	16	17.320	7.982
Goodwill/negative goodwill (net)	17	-	-
Investment properties (net)	18	3.463	2.786
Property, plant and equipment (net)	19	320.139	259.321
Intangible assets (net)	20	41.261	26.746
Deferred tax assets	14	27.789	38.332
Other non-current assets	15	364	654
Total non-current assets		**410.336**	**372.111**
Total assets		**1.104.521**	**1.412.567**

The consolidated financial statements prepared as at and for the year ended 31 December 2007 have been approved for issue by the Board of Directors on 10 March 2008 and signed on its behalf by, Fatih Kemal Ebiçlioğlu, member of the Board member and Ercan Bayrak, Accounting Manager.

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

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

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2007 AND 2006

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

	Notes	2007	2006
LIABILITIES			
Current liabilities			
Short-term financial liabilities (net)	6	518.931	391.481
Short-term portion of long-term financial liabilities (net)	6	141.786	169.957
Lease obligations (net)	8	18	26
Other financial liabilities (net)	10	15.179	17.828
Trade payables (net)	7	154.256	262.506
Due to related parties (net)	9	14.872	93.232
Advances received	21	-	-
Construction progress billings (net)	13	-	-
Provisions	23	3	469
Deferred tax liabilities	14	-	-
Other liabilities (net)	15	73.061	82.322
Total current liabilities		**918.106**	**1.017.821**
Non-current liabilities			
Long-term financial liabilities (net)	6	75.773	213.750
Lease obligations (net)	8	32	63
Other financial liabilities (net)	10	-	-
Trade payables (net)	7	-	36.144
Due to related parties (net)	9	-	-
Advances received	21	-	-
Provisions	23	1.821	2.131
Deferred tax liabilities	14	1.949	1.367
Other liabilities (net)	15	6.773	18.011
Total non-current liabilities		**86.348**	**271.466**
Total liabilities		**1.004.454**	**1.289.287**
MINORITY INTEREST	24	-	-
SHAREHOLDERS' EQUITY			
Share capital	25	174.000	174.000
Treasury shares	25	-	-
Capital reserves	**26**	**225.420**	**152.526**
Share premium		344	344
Share cancellation gains		-	-
Revaluation fund		64.738	-
Financial assets fair value reserve		8.156	-
Inflation adjustment to shareholders' equity		152.182	152.182
Profit reserves	**27**	**11.165**	**9.716**
Legal reserves		-	-
Statutory reserves		-	-
Extraordinary reserves		8.693	8.693
Special reserves		-	-
Investment and property sales income		-	-
Translation reserve		2.472	1.023
Current year loss		**(97.662)**	**(127.870)**
Accumulated deficit	**28**	**(212.856)**	**(85.092)**
Total shareholders' equity		**100.067**	**123.280**
Total shareholders' equity and liabilities		**1.104.521**	**1.412.567**
Commitments and contingent liabilities	**31**		

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

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

CONSOLIDATED STATEMENTS OF LOSS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

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

	Notes	2007	2006
Operating revenue			
Net sales	36	1.356.603	1.805.911
Cost of sales (-)		(1.207.710)	(1.581.419)
Gross operating profit		**148.893**	**224.492**
Operating expenses (-)	37	(161.724)	(278.280)
Net operating loss		**(12.831)**	**(53.788)**
Other income and profits	38	56.956	47.008
Other expenses and losses (-)	38	(29.393)	(57.924)
Financial expenses, net	39	(108.291)	(90.362)
Loss before monetary gain, taxes and minority interests		**(93.559)**	**(155.066)**
Monetary gain	40	-	-
Loss before taxes and minority interest		**(93.559)**	**(155.066)**
Minority interest	24	-	-
Loss before taxes		**(93.559)**	**(155.066)**
Taxes on income	41	(4.103)	27.196
Net loss		**(97.662)**	**(127.870)**
Loss per share (TRY)	42	(0,5613)	(0,7349)

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

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

		Capital Reserves					Profit Reserves				
	Share capital	Share premium	Revaluation fund	Financial assets fair value reserve	Inflation adjustment to shareholders' equity	Legal reserves	Extraordinary reserves	Translation reserves	Accumulated deficit	Net loss	Shareholders' equity
Balance at 1 January 2006	**174.000**	**344**	**-**	**23.580**	**152.182**	**-**	**8.693**	**80**	**(3.054)**	**(82.038)**	**273.787**
Transfers	-	-	-	-	-	-	-	-	(82.038)	82.038	-
Sale of financial assets	-	-	-	(23.580)	-	-	-	-	-	-	(23.580)
Currency translation difference	-	-	-	-	-	-	-	943	-	-	943
Net loss for the period	-	-	-	-	-	-	-	-	-	(127.870)	(127.870)
Balance at 31 December 2006	**174.000**	**344**	**-**	**-**	**152.182**	**-**	**8.693**	**1.023**	**(85.092)**	**(127.870)**	**123.280**
Balance at 1 January 2007	**174.000**	**344**	**-**	**-**	**152.182**	**-**	**8.693**	**1.023**	**(85.092)**	**(127.870)**	**123.280**
Transfers	-	-	-	-	-	-	-	-	(127.870)	127.870	-
Financial assets fair value gain (Note 16)	-	-	-	8.585	-	-	-	-	-	-	8.585
Deferred tax calculated over financial assets fair value gain (Note 14)	-	-	-	(429)	-	-	-	-	-	-	(429)
Revaluation fund increase (Note 19)	-	-	71.653	-	-	-	-	-	-	-	71.653
Deferred tax calculated over revaluation fund increase (Note 14)	-	-	(6.830)	-	-	-	-	-	-	-	(6.830)
Depreciaition transfer (Note 19)	-	-	(106)	-	-	-	-	-	106	-	-
Deferred tax calculated over depreciation transfer (Note 14)	-	-	21	-	-	-	-	-	-	-	21
Currency translation differences	-	-		-	-	-	-	1.449	-	-	1.449
Net loss for the period	-	-	-	-	-	-	-	-	-	(97.662)	(97.662)
Balance at 31 December 2007	**174.000**	**344**	**64.738**	**8.156**	**152.182**	**-**	**8.693**	**2.472**	**(212.856)**	**(97.662)**	**100.067**

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

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

	Notes	2007	2006
Operating activities:			
Loss before taxes		(93.559)	(155.066)
Adjustments to reconcile net cash provided by operating activities to loss before taxes:			
Increases and decreases in accruals and provisions	43	(21.086)	73.091
Depreciation and amortisation	18, 19, 20	32.735	30.654
Interest and credit finance income	39	(20.493)	(35.578)
Interest and credit finance expense	39	112.855	82.578
Gains from sale of financial assets		-	(29.169)
Income from bonus shares issued by available-for-sale financial assets	38	(750)	-
Impairment on intangible assets		-	470
Gains from sale of tangible and intangible assets, net	38	(246)	(440)
Loss on acquisition of subsidiaries	38	-	859
Net cash provided by/(used in) operating activities before changes in operating assets and liabilities		**9.456**	**(32.601)**
Changes in operating assets and liabilities, net	43	146.890	(122.660)
Income and corporation taxes paid	41	(575)	(1.085)
Net cash provided by/(used in) operating activities		**146.315**	**(123.745)**
Investing activities:			
Proceeds from sale of property, plant and equipment and intangible assets		1.315	724
Purchases of property, plant and equipment and intangible assets	18,19,20	(41.538)	(46.278)
Purchases of financial assets		(3)	-
Proceeds from sale of financial assets		-	53.226
Currency translation differences (net)		4.719	(1.665)
Net cash (used in)/provided by investing activities		**(35.507)**	**6.007**
Financing activities:			
Interest and credit finance income received		28.009	36.230
Interest and credit finance charges paid		(117.507)	(81.480)
(Decrease)/increase in bank borrowings, net		(34.271)	190.864
Net cash (used in)/provided by financing activities		**(123.769)**	**145.614**
Net cash used in activities		**(3.505)**	**(4.725)**
Cash and cash equivalents as of 1 January		**21.604**	**26.329**
Cash and cash equivalents as of 31 December		**18.099**	**21.604**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

NOTE 1 - ORGANISATION AND PRINCIPAL ACTIVITIES

Beko Elektronik A.Ş. (the "Company" or "Beko") was established in 1966 to manufacture and sell TV sets, videos, PCs, electronic cash registers and other various household electronic appliances. The Company is a member of the Koç Group of companies, which holds a majority stake in the Company. The Company's head office is located in Beylikdüzü Mevkii, 34901, Büyükçekmece, İstanbul, Turkey.

The Company is registered with the Capital Markets Board of Turkey ("CMB") and its shares have been quoted on the Istanbul Stock Exchange since 1992. At 31 December 2007, 19,79% of the total shares are quoted on the Istanbul Stock Exchange. At 31 December 2007, the principal shareholders and their respective shareholdings in the Company are as follows (Note 25).

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

On 7 May 2004, the Company established a 50:50 partnership with a UK based consumer electronics company, Alba Europe Ltd., and invested in Grundig Multimedia B.V. The Company signed a share transfer agreement with Alba Europe Ltd. on 18 December 2007 to wholly own Grundig Multimedia B.V. (Note 34).

The average number of employees of the Group is 2.637 (31 December 2006: 3.904).

On 18 December 2007, Beko Elektronik A.Ş.'s Board of Directors decided to obtain the necessary authorizations relating to the change of the Company's trade name to Grundig Elektronik A.Ş. and proposed this change to the General Assembly in order to eliminate misleading perceptions arising from the similarity between the Company's trade name and the "Beko" brand name that Arçelik A.Ş. owns. On 19 December 2007, the Company applied to the CMB relating to such a change in trade name to be qualified as an amendment in the articles of association; the CMB approved this application on 20 February 2008 on condition that the shareholders of the Company were informed in the General Assembly meeting, to be held after the completion of the acquisition of Grundig Multimedia B.V., regarding the rationale of the trade name change, the scope and nature of the commercial relations between Arçelik A.Ş. and Beko Elektronik A.Ş., ownership of the Beko brand and information relating to reports on this such subject prepared by independent institutions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

NOTE 1 - ORGANISATION AND PRINCIPAL ACTIVITIES (Continued)

The Company's subsidiaries ("Subsidiaries") and joint ventures ("Joint Ventures") are as follows:

Subsidiaries	Country of incorporation	Core business	Nature of business
Bekodutch B.V. ("Bekodutch")	The Netherlands	Investment	Holding
Beko Elektronik Llc ("Beko Elektronik Llc")	Russia	Production/Sales	Consumer electronics
Fusion Digital Technology Ltd. ("Fusion Digital") (*)	UK	Technology	Non-operating

(*) In liquidation process.

Joint ventures	Country of incorporation	Core business	Nature of business
Grundig Multimedia B.V. ("Grundig")	The Netherlands	Investment	Holding
Grundig Benelux B.V. ("Grundig Benelux")	The Netherlands	Sales	Consumer electronics
Grundig Danmark A/S ("Grundig Denmark")	Denmark	Sales	Consumer electronics
Grundig España S.A. ("Grundig Espana")	Spain	Sales	Consumer electronics
Grundig Intermedia GmbH ("Grundig Intermedia") (*)	Germany	Sales	Consumer electronics
Grundig Intermedia GmbH ("Grundig Austria")	Austria	Sales	Consumer electronics
Grundig Italiana S.p.A. ("Grundig Italy")	Italy	Sales	Consumer electronics
Grundig Magyarország Kft. ("Grundig Hungary")	Hungary	Sales	Consumer electronics
Grundig Norge AS ("Grundig Norway")	Norway	Sales	Consumer electronics
Grundig OY ("Grundig Finland")	Finland	Sales	Consumer electronics
Grundig Polska Sp.z o.o. ("Grundig Polska")	Poland	Sales	Consumer electronics
Grundig S.A.S. ("Grundig France")	France	Sales	Consumer electronics
Grundig AG ("Grundig Switzerland")	Switzerland	Sales	Consumer electronics
Grundig Svenska AB. ("Grundig Sweden")	Sweden	Sales	Consumer electronics
Grundig Portuguesa, Lda ("Grundig Portugal")	Portugal	Sales	Consumer electronics
Grundig Ceská republika s.r.o. ("Grundig Czech Republic")	Czech Republic	Sales	Consumer electronics
Grundig Slovakia s.r.o. ("Grundig Slovakia")	Slovakia	Sales	Consumer electronics
Grundig Australia Pty. Ltd. ("Grundig Australia") (*)	Australia	Sales	Consumer electronics
Grundig Intermedia Trgovina, d.o.o. ("Grundig Slovenia")	Slovenia	Sales	Consumer electronics

(*) Sold in 2007.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Accounting standards

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

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards. Accordingly, the Company did not apply IAS 29 "Financial Reporting in Hyperinflationary Economies" issued by the IASB in its consolidated financial statements for the accounting periods starting from 1 January 2005. These consolidated financial statements and the related notes have been prepared under the alternative application defined by the CMB as explained above and presented in accordance with the formats required by the CMB with the announcement dated 10 December 2004.

The consolidated financial statements, which are in accordance with CMB Financial Reporting Standards, are prepared in TRY based on the historical cost conversion except for the financial assets and liabilities, land improvements, land and buildings, which are expressed with their fair values.

2.2 Financial statements of foreign Subsidiaries and Joint Ventures

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

2.3 Group accounting

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

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

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

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

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

	2007	2006
Fusion Digital (*)	100,00	100,00
Bekodutch	100,00	100,00
Beko Elektronik Llc	100,00	100,00

(*) The Company decided to liquidate Fusion Digital at the Board of Directors meeting on 29 December 2005. Since the liquidation of Fusion Digital was in process as of 31 December 2007, Fusion Digital's financial statements which are prepared on a liquidation basis were consolidated.

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

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

NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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

	2007	2006
Grundig	50,00	50,00
Grundig Benelux	50,00	50,00
Grundig Denmark	50,00	50,00
Grundig Espana	50,00	50,00
Grundig Intermedia	50,00	50,00
Grundig Austria	50,00	50,00
Grundig Italy	50,00	50,00
Grundig Hungary	50,00	50,00
Grundig Norway	50,00	50,00
Grundig Finland	50,00	50,00
Grundig Polska	50,00	50,00
Grundig France	50,00	50,00
Grundig Switzerland	50,00	50,00
Grundig Sweden	50,00	50,00
Grundig Czech Republic	50,00	50,00
Grundig Slovakia	50,00	50,00
Grundig Slovenia	50,00	50,00
Grundig Portugal	50,00	50,00
Grundig Australia (*)	-	50,00

(*) Sold as of 10 September 2007 and excluded from the scope of the consolidation as of this date when joint control ceased.

Grundig Multimedia B.V., which is the parent company of the above stated sales and marketing companies, owns 100% of these companies. As of 31 December 2007, Beko Elektronik A.Ş. owns 50% of Grundig Multimedia B.V. The other Joint Venture partner of Grundig Multimedia B.V. is Alba Europe Ltd.

Subsidiaries of Grundig, in which the Group has ownership interests of 50% and which are immaterial, are carried at cost, less any provision for impairment in the consolidated financial statements. The Subsidiaries excluded from the scope of consolidation are disclosed in Note 16.

d) Available-for-sale investments, in which the Group has controlling interests equal to 20%, or over, which are either immaterial or in which a significant influence is not exercised by the Group, that do not have quoted market prices in active markets and whose fair values cannot be reliably measured are carried at cost less any provision for impairment (Note 16).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

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

2.4 Comparatives and restatement of prior period financial statements

The consolidated financial statements of the Group include comparative financial information to enable the determination of the trends in financial position and performance.

The Group changed its accounting policy on the measurement of land improvements, land and buildings in 2007. Accordingly, the Group's land improvements, land and buildings are revalued by an independent expert in accordance with the alternative treatment included in IAS 16 "Property, Plant and Equipment" and accounted for at their revalued amounts in the consolidated financial statements. The effects of this change in accounting policy were reflected in the current year results in the Group's consolidated financial statements. Such a change in accounting policy was made to more appropriately present events or transactions in the consolidated financial statements. As a result of this change in accounting policy, which was applied prospectively in accordance with IAS 16, the Group increased its shareholders' equity and property, plant and equipment in the amount of TRY 64.738 and TRY 71.653, respectively (Note 19).

Comparative financial information is reclassified to enable conformity with the presentation of the current period financial statements where necessary.

2.5 Offsetting

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

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

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Related parties

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

3.2 Trade receivables

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

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

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Credit finance income/charges

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

3.4 Inventories

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

3.5 Financial assets

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

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

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

3.6 Investment property

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

Investment properties are reviewed for impairment losses. Where the carrying amount of the investment property is greater than the estimated recoverable amount, it is written down to its recoverable amount. The recoverable amount of the investment property is the higher of the asset's net selling price or value in use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Property, plant, equipment and related depreciation

Land, buildings and land improvements are stated at their fair values, determined based on the valuation performed by Çelen Kurumsal Değerleme ve Danışmanlık A.Ş. on 19 December 2007 less accumulated depreciation calculated until the balance sheet date based on the assumption that their carrying amounts approximate their fair values as of 31 December 2007. All other property, plant and equipment are stated at acquisition cost less accumulated depreciation (Note 19).

Increases in the carrying amount arising on the revaluation of land, buildings and land improvements are credited to revaluation fund in shareholders' equity.

The difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statement of loss) and depreciation based on the asset's original cost is transferred from the revaluation fund to retained earnings.

Depreciation is provided on restated or revalued amounts of property, plant and equipment on a straight-line basis. Land is not depreciated as it is deemed to have an indefinite life. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

Land improvements	30 - 50 years
Buildings	30 - 50 years
Machinery and equipment	11 - 25 years
Furniture and fixtures	4 - 10 years
Vehicles	4 - 7 years
Moulds	4 - 7 years

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

Gain or losses on disposals of property, plant and equipment are determined with respect to their carrying amounts and are accounted for in other income and expense accounts.

Repairs and maintenance are charged to the statements of income during the financial period in which they are incurred. Costs of primary renewals are included in the asset's carrying amount only when it is probable that future economic benefits from the item will flow to the Company.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Intangible assets and related amortization

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

3.9 Leases

Finance Leases

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

Operational Leases

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

3.10 Bank borrowings and borrowing costs

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

3.11 Deferred income taxes

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

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised (Note 14).

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

3.12 Derivative financial instruments

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

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

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

3.13 Employment termination benefits

Employment termination benefits, as required by the Turkish Labour Law, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees, termination of employment without due cause, call for military service or death upon the completion of a minimum one year service (Note 23).

3.14 Foreign currency transactions and translation

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into New Turkish lira at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from the settlement and translation of foreign currency items have been included in the consolidated statements of income (Note 39).

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Revenue recognition

Revenues are recognised on an accrual basis at the fair values incurred or to be incurred when the goods are delivered, the risks and rewards of ownership of the goods are transferred, when the amount of revenue can be reliably measured and it is probable that the future economic benefits associated with the transaction will flow to the entity. Net sales represent the fair value of goods shipped less sales discounts and commissions and excluding sales taxes. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised in the period on an accrual basis as financial income (Note 36).

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

3.16 Research and development expenditures

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

3.17 Investment, research and development incentives

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

3.18 Dividends

Dividends receivable are recognized as income in the period when they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared (Note 38).

3.19 Warranties

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Share premium

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

3.21 Provisions

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

3.22 Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in financial statements and are treated as contingent assets or liabilities (Note 31).

3.23 Earnings per share

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

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

No bonus shares have been issued during the year.

3.24 Critical accounting estimates and judgements

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.25 Financial instruments and risk management

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

Interest rate risk

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

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

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

Foreign exchange rate risk

The Group is exposed to foreign exchange rate risk through operations done using multiple currencies. The proportion of the positions of these currencies among each other or against new Turkish lira to shareholders' equity is tried to be kept under certain limits. For this purpose, the foreign currency position is continuously analyzed and currency risk is managed using on-balance sheet items or off-balance sheet items such as derivative instruments where necessary.

The Group is exposed to foreign exchange rate risk mainly for EUR, USD, PLN and HUF.

At 31 December 2007, if EUR and USD has strengthened/weakened by 10% againist TRY with all other variables held constant, income before taxes and minority interest would have been TRY 770 (2006: TRY 11.906) lower/higher as a result of foreign exchange gains and losses on the net foreign currency position.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 realize in a current market exchange.

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

Monetary assets

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

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

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

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

Monetary liabilities

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

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

Employment termination benefits are accounted for at their discounted values.

Capital risk management

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

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

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The gearing ratios as at 31 December 2007 and 31 December 2006 are as follows:

	2007	2006
Total liabilities	1.004.454	1.289.287
Cash and cash equivalents	18.099	21.604
Net debt	986.355	1.267.683
Total shareholders' equity	100.067	123.280
Invested capital	1.086.422	1.390.963
Gearing ratio	**91%**	**91%**

3.26 Reporting of cash flows

For the purposes of the consolidated 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).

NOTE 4 - CASH AND CASH EQUIVALENTS

	2007	2006
Cash in hand	32	33
Banks		
- demand deposits	15.819	17.564
- time deposits	2.237	1.470
Other	11	2.537
	18.099	**21.604**

Maturities of time deposits are up to three months.

As of 31 December 2007 the Group's time deposits are denominated in EUR and their effective interest rate is 3,33% (31 December 2006: 2,96%).

Maturities of time deposits are as follows:

	2007	2006
Up to 30 days	1.531	645
30-90 days	706	825
	2.237	**1.470**

NOTE 5 - MARKETABLE SECURITIES

The Group has no marketable securities at the balance sheet date (31 December 2006: None).

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NOTE 6 - FINANCIAL LIABILITIES

a) Short-term bank borrowings:

	2007			2006		
	Effective interest rate (%)	Original amount	TRY	Effective interest rate (%)	Original amount	TRY
Bank borrowings						
TRY	17,87	-	383.380	19,63	-	279.879
USD	5,58	86.238.602	100.442	6,22	56.219.235	79.022
TRY (Eximbank loan)	13,07	-	23.440	14,00	-	4.149
EUR	6,00	6.823.500	11.669	4,62	15.355.434	28.431
Total short-term financial liabilities			**518.931**			**391.481**

b) Short-term portion of long-term bank borrowings:

	Effective interest rate (%)	Original amount	TRY	Effective interest rate (%)	Original amount	TRY
Bank borrowings						
TRY	17,75	-	69.922	20,73	-	43.190
USD	5,98	42.201.130	49.152	8,66	5.118.799	7.195
EUR	6,63	13.280.551	22.712	5,53	53.053.090	98.228
EUR (IFC loan)	-	-	-	6,77	11.527.890	21.344
			141.786			**169.957**
Total short-term financial liabilities			**660.717**			**561.438**

c) Long-term bank borrowings:

	Effective interest rate (%)	Original amount	TRY	Effective interest rate (%)	Original amount	TRY
Bank borrowings						
TRY	16,87	-	50.000	20,65	-	68.715
USD	5,75	20.000.000	23.294	7,66	58.666.668	82.462
EUR	5,67	1.449.821	2.479	5,50	17.575.538	32.541
EUR (IFC loan)	-	-	-	6,93	16.220.600	30.032
Total long-term financial liabilities			**75.773**			**213.750**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

The long-term loans borrowed from Yapı ve Kredi Bankası A.Ş. in the amount of TRY 100.000 and various banks in the amount of TRY 18.000, USD 20.000.000 are being used for investments and working capital requirements.

The Company has repaid its loans from the International Finance Corporation ("IFC") in the amount of EUR 27.748.490 and HSBC and Citibank in a total amount of EUR 8.571.429 within this period. Furthermore, the Company has repaid its long-term loans in the amounts of USD 21.111.112, EUR 46.743.575 and TRY 108.715 from various banks.

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

	2007	2006
2008	-	182.050
2009	24.608	23.913
2010	51.165	5.612
2011	-	2.175
	75.773	**213.750**

The Company has no fixed rate long-term loans at 31 December 2007.

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

	2007	2006
Up to 6 months	668.490	775.188
1-2 years	68.000	-
	736.490	**775.188**

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	2007	2006
Short-term trade receivables:		
Trade receivables	189.176	254.646
Notes receivables	3.549	8.539
Checks receivables	1.137	8.132
	193.862	**271.317**
Provision for doubtful receivables (-)	(54.425)	(57.904)
Trade receivables, net	**139.437**	**213.413**

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

As of 31 December 2007, the Company provided a full provision for the trade receivables which are impaired in the amount of TRY 54.425 (31 December 2006: TRY 57.904).

The ageing analysis of these receivables is as follows:

	31 December 2007	31 December 2006
Up to 3 months	-	4.434
3-6 months	-	18.850
Over 6 months	54.425	34.620
0-3 months	**54.425**	**57.904**

As of 31 December 2007, trade receivables in the amount of TRY 6.449 (31 December 2006: TRY14.600) were past due but not impaired. The Company does not any anticipate any collection risk considering the collaterals retained.

The ageing analysis of these receivables is as follows:

	2007	2006
Up to 3 months	853	2.459
3-6 months	170	7.095
Over 6 months	5.426	5.046
	6.449	**14.600**

As of 31 December 2007, trade receivables in the amount of TRY 20.318 (31 December 2006: TRY 88.611) are secured by collaterals and mortgages.

Movements of provision for doubtful receivables as of 31 December are as follows:

	2007	2006
1 January	57.904	22.847
Current period additions (Note 38)	7.339	35.212
Collections	(3.825)	(1.764)
Foreign exchange income and losses	(6.760)	1.371
Currency translation difference	(233)	238
31 December	**54.425**	**57.904**

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

	2007	2006
Short-term trade payables:		
Trade payables - import	118.060	153.928
Trade payables - domestic	36.766	108.714
	154.826	**262.642**
Deferred credit finance charges (-)	(570)	(136)
	154.256	**262.506**
Long-term trade payables:		
Payable to joint venture partner (*)	-	36.144
	-	**36.144**

(*) In the Board of Directors meeting on 18 December 2007, it was decided to participate in the share capital increase of Grundig Multimedia B.V. in the amount of EUR 78.085.000 in proportion to the Company's shareholding ratio in current share capital which amounts to EUR 39.042.500, and to offset long term trade receivables from Grundig Multimedia B.V. against this share capital increase. In accordance with this decision, long-term trade receivables of joint venture partners which are presented under long term due from related parties and long-term trade payables have been netted off in the consolidated financial statements as of 31 December 2007 (Note 9).

NOTE 8 - LEASE RECEIVABLES AND OBLIGATIONS

a) Lease receivables

The Group has no lease receivables as of 31 December 2007.

b) Lease obligations

	2007	2006
Short-term lease obligations	18	26
Long-term lease obligations	32	63
	50	**89**

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

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

i) Balances with related parties

a) Short-term due from related parties	2007	2006
Arçelik A.Ş. ("Arçelik")	117.009	261.238
Beko Electronics Espana SL. ("Beko Espana")	28.611	27.169
Beko France S.A.	13.151	14.555
S.C. Arctic S.A.	7.096	6.119
Beko PLC	5.697	27.201
Beko Llc	5.543	-
Ram Dış Ticaret A.Ş. ("Ram Dış Ticaret")	4.359	68.820
Grundig Multimedia B.V.	2.230	2.021
Other	7.704	3.481
	191.400	**410.604**
Less: Unearned credit finance income from related parties	(890)	(8.406)
	190.510	**402.198**

b) Long-term due from related parties

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

(*) As of 30 June 2006, Beko Elektronik A.Ş. and its Joint Venture partner, Alba Plc, have extended the due dates of their trade receivables from Grundig Multimedia B.V., their Joint Venture. In this respect, the long-term receivables have been classified under "long-term due from related parties" in the consolidated financial statements at 31 December 2006 since Beko has realized its sales to Grundig Multimedia B.V. over Ram Dış Ticaret. The balance with Alba Plc has been classified under "long-term trade payables".

In Board of Directors meeting on 18 December 2007, it was decided to participate in the share capital increase of Grundig Multimedia B.V. in the amount of EUR 78.085.000 in proportion to the Company's shareholding ratio in current share capital which amounts to EUR 39.042.500 and to offset long-term trade receivables from Grundig Multimedia B.V. against this share capital increase. In accordance with this decision, long-term trade receivable balances of joint venture partners, and Grundig M.B.V. presented under long-term due from related parties and long-term trade payables have been netted off in the consolidated financial statements as of 31 December 2007 (Note 7).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

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

c) Due to related parties

	2007	2006
Zer A.Ş. (*)	2.936	1.212
Beko Llc	1.530	-
Beko Deutschland GmbH ("Beko Deutschland")	460	1.035
Ram Pacific Ltd (**)	-	79.620
Beko PLC	-	3.764
Other	2.334	3.321
	7.260	**88.952**
Payables to personnel	7.612	4.280
	14.872	**93.232**

(*) Trade name of Beko Ticaret A.Ş. changed to Zer Merkezi Hizmetler ve Ticaret A.Ş. (Zer A.Ş.) on 16 March 2007.

(**) The significant influence of Koç Group on the Company ceased following the share transfers in 2007, hence the company is not considered a related party after this share transfer transaction.

d) Bank deposits

	2007	2006
Yapı ve Kredi Bankası A.Ş.		
- demand deposits	5.811	998
	5.811	**998**

e) Bank borrowings

	2007	2006
Yapı ve Kredi Bankası A.Ş.	213.520	1.852
	213.520	**1.852**

f) Derivative financial instruments

2007

None.

2006

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

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

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

ii) Transactions with related parties

	2007	2006
a) Sales of materials and services		
Arçelik A.Ş. (*)	673.429	471.965
Beko Espana	63.644	63.327
Beko PLC	37.083	71.766
Grundig Multimedia B.V. (*)	35.636	13.346
Beko France S.A.	28.634	33.051
S.C. Arctic S.A.	15.446	16.566
Beko Llc	11.434	-
Arcelitalia SRL	8.593	-
Beko Deutschland	7.248	16.354
Elektra Bregenz	1.380	-
Ram Dış Ticaret (*)	-	254.376
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	1.079
Other	1.385	476
	883.912	**942.306**

(*) The Group's sales to subsidairies and joint ventures made through Arçelik A.Ş. in 2007 and through Ram Dış Ticaret A.Ş. in 2006 and the purchases related to these sales are recognized as intra-group transactions. Thus these transactions are eliminated in the consolidated financial statements.

b) Purchases of materials and services

	2007	2006
Arçelik A.Ş.	91.057	23.964
Ram Pacific Ltd. (*)	38.320	186.340
Zer A.Ş.	14.372	9.942
Ram Sigorta Aracılık Hizmetleri A.Ş.	5.355	3.926
Beko Llc	2.661	-
Palmira A.Ş. ("Divan")	3.686	4.201
Setur Servis Turistlik A.Ş.	1.023	5.906
Kofisa Trading (**)	-	112.656
İzocam Ticaret ve San. A.Ş. (**)	-	8.504
Other	5.985	5.379
	162.459	**360.818**

(*) The controlling rights of Koç Group on the company ceased following the share transfers in 2007, hence the company is not considered as a related party after this share transfer transaction.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

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

c) Financial income/ (expense), net

	2007	2006
Arçelik - *unearned credit finance income (Note 39)*	14.904	29.782
Yapı Kredi Bankası A.Ş.- *loan interest expense*	(20.761)	-
Ram Dış Ticaret - *foreign exchange (losses)/gains*	(1.733)	26.712
	(7.590)	**56.494**

d) Benefits provided to the key management

As of 31 December 2007, total benefits provided to key management personnel by the Company amount to TRY 1.643 (31 December 2006: TRY 1.963).

e) Other transactions

	2007	2006
Sale of financial assets and dividend income		
Arçelik A.Ş.	-	28.885
Other	-	38
	-	**28.923**

	2007	2006
Other transactions		
Arçelik A.Ş. *(Compensation regarding "Beko Elektronik" trade name change) (Note 38)*	24.000	-
Arçelik *(Income from sale of ICT business unit and Keysmart brand) (Note 38)*	20.000	-
Other	750	-
	44.750	**-**

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

	2007	2006
Other short-term receivables		
Taxes and funds payable	128	142
Other	323	1.844
	451	**1.986**
Other long-term receivables		
Other receivables	-	146
Other short-term financial liabilities		
Taxes and duties payable	15.179	17.828
	15.179	**17.828**

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

NOTE 11 - BIOLOGICAL ASSETS

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

NOTE 12 - INVENTORIES

	2007	2006
Raw materials and supplies	237.483	266.621
Semi-finished goods	8.782	9.151
Finished goods	59.002	70.353
Commercial goods	70.010	63.007
	375.277	**409.132**
Provision for impairment on inventories (-)	(37.176)	(34.196)
	338.101	**374.936**

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

	2007	2006
Raw material	13.874	17.049
Finished goods	13.621	10.557
Commercial goods	9.681	6.590
	37.176	**34.196**

Movement of impairment on inventories is as follows:

	2007	2006
1 January	34.196	28.288
Current period additions (Note 38)	18.193	19.050
Realized due to sale or consumption of inventory	(14.650)	(14.207)
Currency translation difference	(563)	1.065
31 December	**37.176**	**34.196**

NOTE 13 - CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLINGS

The Group has no construction contract receivables or progress billings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

	2007	2006
Deferred tax assets	27.789	38.332
Deferred tax liabilities	(1.949)	(1.367)
Deferred tax assets, net	**25.840**	**36.965**

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements reported per CMB Financial Reporting Standards and its statutory tax financial statements.

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

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

	Cumulative temporary differences		Deferred tax assets	
	2007	2006	2007	2006
Deferred tax assets:				
Unused tax credits	(179.122)	(165.311)	35.952	33.097
Provision for doubtful receivables	(39.704)	(43.255)	7.941	8.651
Impairment on inventories	(29.906)	(27.610)	5.981	5.522
Warranty provision	(14.882)	(38.892)	2.976	7.778
Accrual for export sales expenses	(8.485)	(5.439)	1.697	1.088
Accrual for license expenses	(8.313)	(5.540)	1.663	1.108
Provision for employment termination benefits	(1.821)	(2.131)	364	426
Net difference between the tax base and carrying amount of tangible and intangible assets	117.580	105.296	(21.060)	(21.252)
Revaluation of land improvements, land and buildings	71.547	-	(6.809)	-
Net difference between the tax base and net book value of inverntories	15.036	7.904	(3.118)	(1.639)
Other	(4.315)	(10.684)	253	2.186
Deferred tax assets, net			**25.840**	**36.965**

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NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES (Continued)

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

	2007	2006
1 January	36.965	10.530
Current year deferred tax expense, net (Note 41)	(3.990)	26.589
Revaluation of land improvements, land and buildings	(6.830)	-
Charge to the revaluation fund	21	-
Charge to the financial assets fair value reserve	(429)	-
Currency translation difference	103	(154)
31 December	**25.840**	**36.965**

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

	2007	2006
Other current assets		
Value Added Tax ("VAT") receivables	5.341	24.741
Prepaid expenses	1.884	1.471
Foreign currency forwards	28	-
Other	334	107
	7.587	**26.319**

Other non-current assets		
Deposits and guarantees given	364	643
Prepaid expenses	-	11
	364	**654**

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NOTE 15 - OTHER CURRENT/NON CURRENT ASSETS AND OTHER CURRENT/NON CURRENT LIABILITIES (Continued)

	2007	2006
Other current liabilities		
Accruals for export sales expenses	28.782	26.424
Warranty provisions	18.886	35.624
Provision for outstanding invoices	9.125	7.173
Accruals for license expense	8.376	4.875
Foreign currency forwards	1.483	1.749
Other	6.409	6.477
	73.061	**82.322**
Other non-current liabilities		
Warranty provisions	5.626	16.780
Other	1.147	1.231
	6.773	**18.011**

NOTE 16 - FINANCIAL ASSETS

Available-for-sale investments:

	31 December 2007		31 December 2006	
	%	TRY	%	TRY
Koç Tüketici Finansmanı ve Kart Hizmetleri A.Ş. ("Koç Finans")	7,50	15.391	7,50	6.056
Ultra Kablolu TV ve Telekomünikasyon San. Tic. A.Ş.	7,50	1.901	7,50	1.901
Grundig Intermedia Trgovina, d.o.o., Ljubljana (*)	50,00	6	50,00	6
Other	-	22	-	19
		17.320		**7.982**

(*)Available-for-sale investments, in which the Group has direct or indirect controlling interests of 50% but which are immaterial, are carried at cost less any provision for impairment.

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

NOTE 16 - FINANCIAL ASSETS

The movement of available-for-sale-investments for the periods ended 31 December is as follows:

	2007	2006
1 January	7.982	54.249
Financial assets fair value increase	8.585	5.299
Capital increase in return for extraordinary reserves (Note 38)	532	-
Capital increase in return for dividend (Note 38)	218	-
Acquisition of financial assets	3	-
Sale of financial assets	-	(51.566)
31 December	**17.320**	**7.982**

As of 31 December 2007, an impairment loss on available-for-sale investments in the amount of TRY 3.492 (31 December 2006: TRY 16.137) was provided.

As of 31 December 2006 the unrealized income of TRY 23.580 calculated over the fair value valuation of the Company's affiliate Koç Financial Services A.Ş. was recognized in the financial assets value increase fund under the shareholders' equity. This amount was deducted from the fair value increase fund as of 28 December 2006 with the sale of the shares in Koç Financial Services A.Ş.

NOTE 17 - GOODWILL/NEGATIVE GOODWILL

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

NOTE 18 - INVESTMENT PROPERTY

	1 January 2007	Transfers from from tangible assets	Disposals	Currency translation difference	31 December 2007
Cost	4.052	1.249	-	(493)	4.808
Accumulated depreciation (-)	(1.266)	(176)	-	97	(1.345)
	2.786	**1.073**			**3.463**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2007	Additions	Revaluation increase	Disposals	Transfers to investment property (*)	Transfers	Currency translation difference	31 December 2007
Cost/revaluated cost:								
Land improvements	7.913	52	938	-	(330)	28	(30)	8.571
Land and buildings	121.535	409	70.715	-	(919)	743	(96)	192.387
Machinery and equipment	465.409	8.027	-	(7.429)	-	10.776	(1.329)	475.454
Motor vehicles	1.004	55	-	(318)	-	-	(16)	725
Furniture and fixtures	43.313	1.631	-	(1.244)	-	903	(88)	44.515
Construction in progress	535	13.251	-	(5)	-	(13.210)	-	571
Leasehold improvements	1.180	-	-	-	-	-	-	1.180
	640.889	**23.425**	**71.653**	**(8.996)**	**(1.249)**	**(760)**	**(1.559)**	**723.403**
Accumulated depreciation:								
Land improvements	4.018	263	-	-	-	-	-	4.281
Buildings	29.945	3.041	-	-	(176)	-	(16)	32.794
Machinery and equipment	312.964	23.874	-	(6.632)	-	-	(65)	330.141
Motor vehicles	496	175	-	(282)	-	-	(5)	384
Furniture and fixtures	33.400	2.157	-	(1.015)	-	-	(58)	34.484
Leasehold improvements	745	435	-	-	-	-	-	1.180
	381.568	**29.945**	**-**	**(7.929)**	**(176)**	**-**	**(144)**	**403.264**
Net book value	**259.321**			**(1.067)**	**(1.073)**			**320.139**

As of 31 December 2007, there is no mortgage on property, plant and equipment.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2006	Additions	Disposals	Transfers	Currency translation difference	31 December 2006
Cost:						
Land improvements	7.740	118	-	-	55	7.913
Land and buildings	118.019	1.489	-	1.845	182	121.535
Machinery and equipment	429.886	23.434	(1.519)	13.420	188	465.409
Motor vehicles	1.182	90	(320)	-	52	1.004
Furniture and fixtures	38.321	1.781	(683)	3.743	151	43.313
Construction in progress	2.644	18.614	-	(20.725)	2	535
Advances given	279	-	-	(279)	-	-
Leasehold improvements	1.180	-	-	-	-	1.180
	599.251	**45.526**	**(2.522)**	**(1.996)**	**630**	**640.889**
Accumulated depreciation:						
Land improvements	3.511	507	-	-	-	4.018
Buildings	26.661	3.265	-	-	19	29.945
Machinery and equipment	291.551	22.650	(1.343)	-	106	312.964
Motor vehicles	527	199	(244)	-	14	496
Furniture and fixtures	32.193	1.769	(651)	-	89	33.400
Leasehold improvements	517	228	-	-	-	745
	354.960	**28.618**	**(2.238)**	**-**	**228**	**381.568**
Net book value	**244.291**		**(284)**			**259.321**

As of 31 December 2006, there were mortgages amounting TRY 93.851 on property, plant and equipment. These mortgages were released on 31 July 2007 due to the repayment of the IFC loan (Note 31 (b)).

The carrying amounts of revalued property, plant and equipment that would have been recognised if these assets had been carried under the cost model are as follows:

31 December 2007

	Land improvements	Buildings
Cost	7.775	121.233
Less: Accumulated depreciation	(4.421)	(32.439)
Net book value	**3.354**	**88.794**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The movement of revaluation fund within the period is as follows:

	2007
1 January	-
Increase in revaluation fund	71.653
Deferred tax effect of the increase in revaluation fund (Note 14)	(6.830)
Depreciation transfer	(106)
Deferred tax calculated on depreciation transfer (Note 14)	21
31 December	**64.738**

NOTE 20 - INTANGIBLE ASSETS

	1 January 2007	Additions	Disposals	Transfers	Currency translation difference	31 December 2007
Cost						
Brand (*)	20.418	-	-	-	(1.557)	18.861
Rights	20.217	199	-	760	-	21.176
Development costs	-	17.613	-	-	-	17.613
Other intangible assets	232	301	(46)	-	(17)	470
	40.867	**18.113**	**(46)**	**760**	**(1.574)**	**58.120**
Accumulated amortization						
Rights	14.004	2.239	-	-	-	16.243
Development costs	-	488	-	-	-	488
Other intangible assets	117	63	(44)	-	(8)	128
	14.121	**2.790**	**(44)**	**-**	**(8)**	**16.859**
Net book value	**26.746**		**(2)**			**41.261**

(*) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

NOTE 20 - INTANGIBLE ASSETS (Continued)

	1 January 2006	Additions	Impairment	Transfers	Currency translation difference	31 December 2006
Cost						
Brand	17.507	-	-	-	2.911	20.418
Rights	17.558	663	-	1.996	-	20.217
Other intangible assets	541	72	(470)	-	89	232
	35.606	**735**	**(470)**	**1.996**	**3.000**	**40.867**
Accumulated amortization						
Rights	12.064	1.940	-	-	-	14.004
Other intangible assets	63	46	-	-	8	117
	12.127	**1.986**	**-**	**-**	**8**	**14.121**
Net book value	**23.479**					**26.746**

NOTE 21 - ADVANCES RECEIVED

The Group has no advances in the consolidated balance sheet.

NOTE 22 - RETIREMENT PLANS

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

NOTE 23 - PROVISIONS

	2007	2006
a) Short-term provisions		
Provision for taxes (Note 41)	3	469
b) Long-term provisions		
Provision for employment termination benefits	1.821	2.131

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

NOTE 23 - PROVISIONS (Continued)

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

Under the Turkish Labor 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 of service (20 years for women) 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 TRY 2,03019 (31 December 2006: TRY 1,85744) for each year of service at 31 December 2007.

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

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

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

	2007	2006
Discount rate (%)	5,71	5,71
Rate used to estimate the probability of retirement (%)	80,00	80,00

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TRY 2,08792 (1 January 2007: TRY 1,96069) which is effective from 1 January 2008 has been taken into consideration in calculating the reserve for employment termination benefits of the Company.

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

	2007	2006
1 January	2.131	4.098
Charge for the year	5.757	10.659
Payments during the year (-)	(6.067)	(12.673)
Currency translation difference	-	47
31 December	**1.821**	**2.131**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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NOTE 24 - MINORITY INTEREST

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

	2007	2006
1 January	-	(769)
Effect of change in effective interest rate	-	769
31 December	**-**	**-**

NOTE 25 - CAPITAL/ADJUSTMENT TO SHARE CAPITAL

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

	2007	2006
Limit on registered share capital	400.000	400.000
Authorised and paid-in share capital	174.000	174.000

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

	2007		2006	
Shareholders	Share %	Amount	Share %	Amount
Arçelik A.Ş.	72,46	126.080	72,46	126.080
Other	7,75	13.490	7,75	13.490
Publicly held part	19,79	34.430	19,79	34.430
Total	**100,00**	**174.000**	**100,00**	**174.000**
Adjustment to share capital (*)		152.182		152.182
Total paid in share capital		**326.182**		**326.182**

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

There are 174.000.000 shares the nominal value of which is TRY 1 (31 December 2006: 174.000.000). There are no privileges granted to different share groups or shareholders.

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

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

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

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

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

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

The net income computed in accordance with Communiqué No: XI-25 must be distributed in the ratio of a minimum of 20% of total distributable profit. This distribution may be made either as cash, as pro-rata shares or as a combination of both in accordance with the decisions taken in the general assemblies.

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

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

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

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

Inflation adjustment to shareholders' equity can either 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, or used in the distribution of bonus shares or dividends to shareholders. In accordance with the Communiqué No: XI-25, the shareholders' equity schedule as of 31 December 2007 and 31 December 2006, is as follows:

	2007	2006
Share capital	174.000	174.000
Extraordinary reserves	8.693	8.693
Share premium	344	344
Inflation adjustment to shareholders' equity	152.182	152.182
Financial assets fair value reserve	8.156	-
Revaluation funds	64.738	-
Net loss for the period	(97.662)	(127.870)
Accumulated deficit	(212.856)	(85.092)
Translation reserves	2.472	1.023
Total shareholders' equity	**100.067**	**123.280**

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

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

NOTE 29 - FOREIGN CURRENCY POSITION

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

	2007	2006
Assets	438.280	567.357
Liabilities	(405.562)	(745.144)
Net balance sheet position	**32.718**	**(177.787)**
Net position of derivative financial instruments	**-**	**98.053**
Net foreign currency position	**32.718**	**(79.734)**

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NOTE 29 - FOREIGN CURRENCY POSITION (Continued)

Assets and liabilities denominated in foreign currency at 31 December 2007 are as follows:

	31 December 2007				
	EUR	USD	GBP	Other	Total
Current assets					
Cash and cash equivalents	5.986	5.423	2.828	3.862	18.099
Trade receivables (net)	72.451	23.393	-	34.679	130.523
Due from related parties (net)	74.098	92.957	1.172	5.555	173.782
Inventories (net)	59.449	42.955	15	10.019	112.438
Other receivables, net	301	-	-	-	301
Other current assets	1.443	-	4	1.339	2.786
Non-current assets:					
Deferred tax assets	-	-	-	-	-
Other non-current assets	65	-	-	286	351
Total assets	**213.793**	**164.728**	**4.019**	**55.740**	**438.280**
Current liabilities:					
Short-term financial liabilities (net)	11.669	100.442	-	-	112.111
Current maturities of long-term financial liabilities (net)	22.712	49.152	-	-	71.864
Trade payables (net)	27.299	88.975	238	2.985	119.497
Due to related parties (net)	3.064	-	931	1.544	5.539
Provisions	-	-	-	3	3
Other liabilities (net)	46.276	7.013	2.509	10.211	66.009
Non-current liabilities:					
Long-term financial liabilities (net)	2.479	23.294	-	-	25.773
Deferred tax liabilities	1.597	-	-	352	1.949
Other liabilities (net)	2.255	-	-	562	2.817
Total liabilities	**117.351**	**268.876**	**3.678**	**15.657**	**405.562**
Net balance sheet position	**96.442**	**(104.148)**	**341**	**40.083**	**32.718**
Net position of derivative financial instruments	**(72.400)**	**72.400**	**-**	**-**	**-**
Net foreign currency position	**24.042**	**(31.748)**	**341**	**40.083**	**32.718**

The net foreign currency position of the Group at 31 December 2007 is positive TRY 32.718 equivalent to EUR 19.130.511.

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NOTE 29 - FOREIGN CURRENCY POSITION (Continued)

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

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

The net foreign currency position of the Group at 31 December 2006 is negative TRY 79.734 equivalent to EUR 43.064.542

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NOTE 30 - GOVERNMENT GRANTS

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

a) 100% exemption from customs duty on machinery and equipment to be imported
b) VAT exemption on purchases of investment goods from domestic and export markets
c) Exemption of taxes, dues and fees
d) 40% of research and development expenditures
e) Inward processing permission certificates
f) Cash refund from Tübitak - Teydeb for research and development expenses.

NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

Provisions

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

Commitments and contingent liabilities

a) Derivative financial instruments

	Contract value	Fair values Assets	Fair values (Liabilities)
31 December 2007			
Foreign currency forward contracts	70.918	-	(1.481)
	70.918	**-**	**(1.481)**
31 December 2006			
Foreign currency forward contracts	160.499	-	(1.749)
	160.499	**-**	**(1.749)**

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

b) Commitments and contingent liabilities

	2007			2006		
	Currency	Original Amount	TRY	Currency	Original Amount	TRY
Mortgages given on property, plant and equipment regarding the IFC loan (*)	EUR	-	-	EUR	50.689.376	93.851
Assigned receivables regarding the IFC loan	EUR	-	-	EUR	12.156.221	22.507
	GBP	-	-	GBP	1.937.953	5.343
Standby letters of credit	EUR	2.900.000	4.960	EUR	10.500.000	19.441
	USD	27.450.000	31.971	USD	26.265.501	36.919
Operational lease commitments (**)	EUR	1.710.675	2.925	EUR	3.461.500	6.409
	TRY	63.238	63	TRY	-	89
Floating charges	EUR	849.656	1.453	EUR	941.000	1.742
Guarantee letters given to customs for imports	EUR	2.000.000	3.420	EUR	2.000.000	3.703
	TRY	11.244.315	11.244	TRY	-	346
Guarantee letters given to Eximbank for imports loan	TRY	32.430.000	32.430	TRY	-	5.250
Guarantee letters given	TRY	8.391.392	8.391	TRY	-	8.690
	USD	189.361	221	USD	289.360	407
	EUR	-	-	EUR	81.500	151
Other	EUR	272.000	465	EUR	-	-
	TRY	-	-	TRY	-	2.173
			97.543			**207.021**

(*) Mortgages given on property, plant and equipment regarding the IFC loan in the amount of TRY 93.851 as of 31 December 2007 were released on 31 July 2007 due to the repayment of this loan.

(**) Lease commitments of offices, warehouses and car rentals.

NOTE 32 - BUSINESS COMBINATIONS

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

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NOTE 33 - SEGMENT REPORTING

Primary reporting format - Business segment

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

Secondary reporting format - Geographical segment

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

Segment sales	**2007**	**2006**
Europe	810.805	1.235.992
Turkey	523.474	551.409
Other	22.324	18.510
	1.356.603	**1.805.911**

Segment assets	**2007**	**2006**
Turkey	884.237	1.186.853
Europe	197.305	209.364
Other	22.979	16.350
	1.104.521	**1.412.567**

Segment capital expenditure	**2007**	**2006**
Turkey	40.876	40.052
Europe	541	258
Other	121	5.968
	41.538	**46.278**

Segment revenue from external customers by geographical area is reported based on the geographical location of the 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 held on 18 January 2007, it was decided to increase authorized and paid-in capital from TRY 174.000 to TRY 348.000 in cash within the Company's registered capital limit and to issue 174.000.000 shares to represent the increased capital with a nominal TRY 1 per share. In its Board of Directors meeting held on the same day, Arçelik A.Ş., which owns 72,46% of the Company, decided to participate in this capital increase in proportion to its shareholding in Beko and to acquire the shares for which preference rights were not being used by other shareholders at the weighted average price per share, which will be traded on İstanbul Stock Exchange within the last three days of the period for the use of preference rights, on the condition that the acquisition price will not be under the nominal value of the shares.

The period for the use of preference rights for the capital increase performed on 25 January 2008 ended on 8 February 2008. In accordance with the Board of Directors' decision on 18 December 2007, Arçelik A.Ş. acquired the shares for which preference rights had not been used for TRY 14.735. As a result of this capital increase in cash, Arçelik A.Ş.'s share in Beko increased from 72,46% to 76,69%.

b) In the Board of Directors meeting held on 18 January 2007, it was decided to acquire Alba Europe Ltd.'s shares in Grundig Multimedia B.V., the Company's Joint Venture with a 50:50 partnership with Alba Europe Ltd., for a purchase price of EUR 35.000.000 which will be paid in cash during the share transfer, and to determine the percentages of revenues earned under Grundig brand in United Kingdom and Ireland between the years 2008 and 2012 which will be paid in five years installments. The determined percentages are 4% for the years 2008-2010 (the total purchase price will not exceed EUR 2.000.000 for the year 2008 and EUR 3.000.000 for the years 2009 and 2010, per annum) and 2% for the years 2011 and 2012. The share transfer agreement was signed on 18 December 2007 and the share transfer process continues.

c) In the Board of Directors meeting held on 18 December 2007, it was decided to cancel the Board of Directors' decision dated 30 March 2007 relating to the change of the Company's trade name to Hamle Elektronik A.Ş., to get the necessary authorizations relating to the change of the Company's trade name to Grundig Elektronik A.Ş. and the propose this trade name change for the approval of the General Assembly due to the acquisition of all shares of Grundig Multimedia B.V., which owns the Grundig brand, by the Company.

On 19 December 2007, the Company applied to the CMB relating to such a change in trade name, which has been qualified as an amendment in the articles of association; the CMB approved this application on 20 February 2008 on condition that the shareholders of the Company were informed in the General Assembly meeting to be held after the completion of the acquisition of Grundig Multimedia B.V. regarding the rationale of the trade name change, the scope and the nature of the commercial relations between Arçelik A.Ş. and Beko Elektronik A.Ş, ownership of Beko brand and information relating to reports on this such subject prepared by independent institution.

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

NOTE 35 - DISCONTINUED OPERATIONS

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

NOTE 36 - OPERATING INCOME

	2007	2006
Domestic sales	557.783	576.390
Foreign sales	872.118	1.308.935
Gross sales	**1.429.901**	**1.885.325**
Less: Discounts	(73.298)	(79.414)
Net sales	**1.356.603**	**1.805.911**

NOTE 37 - OPERATING EXPENSES

	2007	2006
Research and development expenses	6.641	20.555
Selling and marketing expenses	117.609	198.888
General administrative expenses	37.474	58.837
Operating expenses	**161.724**	**278.280**

NOTE 38 - OTHER INCOME/EXPENSES AND PROFIT/LOSSES

Other income and profits

	2007	2006
Compensation regarding "Beko Elektronik" trade name change (*)	24.000	-
Income from sale of Keysmart Brand, Keysmart distribution organization and ICT business unit (**)	20.000	-
Released provisions	3.825	1.764
Income from licenses	1.955	4.223
Research and development incentive payments	1.161	2.126
Rent income	1.107	457
Income from insurance claims	680	604
Bonus shares issued by financial assets	532	-
Gains from sale of property, plant and equipment	246	440
Capital increase for dividend income	218	-
Gains from sale of financial assets (***)	-	29.169
Gain from sale of brand (****)	-	1.326
Other	3.232	6.889
	56.956	**47.008**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

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

(*) On 18 December 2007, Beko Elektronik A.Ş.'s Board of Directors decided to obtain the necessary authorizations relating to the change of the Company's trade name to Grundig Elektronik A.Ş. and propose this change to the General Assembly in order to eliminate misleading perceptions arising from the similarity between the Company's trade name and the "Beko" brand name that Arçelik A.Ş. owns. On 19 December 2007, the Company applied to the CMB relating to such a change in trade name, which has been qualified as an amendment in the articles of association; the CMB approved this application on 20 February 2008 on condition that the shareholders of the Company were informed in the General Assembly meeting to be held after the completion of the acquisition of Grundig Multimedia B.V. regarding the rationale of the trade name change, the scope and nature of the commercial relations between Arçelik A.Ş. and Beko Elektronik A.Ş., ownership of Beko brand and information relating to reports on this subject prepared by independent institution. In accordance with the agreement made with Arçelik A.Ş., it was decided that Arçelik A.Ş. would pay compensation to Beko Elektronik A.Ş. for such a trade name. The compensation in the amount of TRY 24.000, which was determined based on the valuation report dated 31 March 2007 prepared by an independent valuer accredited by the CMB, was invoiced to Arçelik A.Ş.

(**) The Company sold its Keysmart brand, the Keysmart distribution organization and the information and communication technologies business except, for the production of computers to Arçelik A.Ş. on 29 January 2007.

(***) The Company sold its 0,70% share in Koç Finansal Hizmetler A.Ş. and 6,75% share in Ram Dış Ticaret A.Ş. for TRY 50.660 and TRY 912, respectively, to Arçelik A.Ş. at 28 December 2006. Additionally, the Company sold its 25% share in Ram Pacific Ltd. for USD 1.125.000 equivalent to TRY 1.654 on 27 November 2006.

(****) Gain from the sale of the DigiFusion brand to Arducth B.V. for USD 1.000.000 in the liquidation process of Fusion Digital.

Other expenses and losses

	2007	2006
Provision for impairment on inventories (Note 12)	18.193	19.050
Provision for doubtful receivables (Note 7)	7.339	35.212
Restructuring costs	2.806	938
Loss on acquisition of subsidiaries	-	859
Impairment on goodwill	-	470
Other	1.055	1.395
	29.393	**57.924**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

NOTE 39 - FINANCIAL INCOME/(EXPENSES)

	2007	2006
Financial income		
Foreign exchange gains	45.963	57.659
Credit finance income	14.904	29.782
Interest income from bank deposits	5.589	5.796
Foreign currency forward income	3.932	33.529
Other	192	294
	70.580	**127.060**
Financial expenses		
Interest expense	(97.512)	(77.792)
Foreign exchange loss	(52.419)	(110.599)
Credit finance charges	(15.343)	(4.786)
Foreign currency forward expense	(12.358)	(15.978)
Other	(1.239)	(8.267)
	(178.871)	**(217.422)**
Financial expenses, net	**(108.291)**	**(90.362)**

NOTE 40 - NET MONETARY POSITION GAIN/LOSSES

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

Consequently, since inflation accounting was not applied for the periods beginning on or after 1 January 2005, there is no monetary gain/loss on the net monetary position for the years 2007 and 2006.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

NOTE 41 - TAXES ON INCOME

	2007	2006
Corporate and income taxes (Note 23.a)	109	469
Less: Prepaid taxes	(106)	-
Taxes payable, net	3	469
Deferred tax asset, net (Note 14)	(25.840)	(36.965)
	(25.837)	**(36.496)**

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

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

The corporation tax rate of the fiscal year 2007 is 20%. Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, exempt income and allowances. The annual corporate income tax return is required to be filed in the period between the 1st and 25th days of the fourth month following the close of the related fiscal year. Payments can be made up until the end of the month in which the tax return is to be filed. Provisions for taxes, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis.

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

In accordance with tax laws and regulations of each country as of 31 December 2007, tax rates used for the calculation of taxes on income are as follows:

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

The Company has utilised Corporate Tax Law No. 5520 exemption on sale of participation shares, property, preferential right certificates, share premiums and redeemed shares certificates for the profit from sale of its 0,70% share in Koç Finansal Hizmetler A.Ş. on 28 December 2006 and 25% share in Ram Pacific Ltd. on 27 November 2006 in the amount of TRY 8.756.

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

	2007	2006
Current income taxes	(109)	607
Foreign currency translation difference	(4)	-
Deferred income taxes	(3.990)	26.589
	(4.103)	**27.196**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

NOTE 42 - EARNINGS PER SHARE

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

	2007	2006
Net loss attributable to ordinary shares	(97.662)	(127.870)
Weighted average number of ordinary shares in issue (TRY 1 each)	174.000.000	174.000.000
Loss per share (TRY)	**(0,5613)**	**(0,7349)**

NOTE 43 - CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2007	2006
Changes in provisions and accruals		
Warranty provision	(27.892)	18.821
Provision for doubtful receivables (Note 38)	(3.479)	34.819
Accruals for license expense	3.501	4.875
Provision for impairment in inventory (Note 38)	2.980	19.050
Provision for sales expenses	2.358	1.575
Provision for outstanding invoices	1.952	849
Provision for employment termination benefits	(310)	(2.014)
Other expense accruals	(196)	(4.884)
	(21.086)	**73.091**
Changes in operating assets and liabilities		
Trade receivables and due from related parties	281.627	22.117
Other short-term receivables and other current assets	20.267	(18.897)
Inventories	33.855	(44.013)
Other long-term receivables and other non-current assets	436	27
Trade payables and due to related parties	(186.474)	(72.052)
Provisions and other short-term liabilities	6.586	(9.777)
Long-term provisions and other long-term liabilities	(9.407)	(65)
	146.890	**(122.660)**

Consolidated statements of cash flows for the years ended 31 December 2007 and 2006 are presented within the consolidated financial statements (page 52).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

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

NOTE 44 - DISCLOSURE OF OTHER MATTERS

Shares in Joint Ventures

Before consolidation adjustments, the assets, liabilities and net loss of the Joint Venture, is accounted for wing of proportionate consolidation as explained in Note 2.c, are as follows:

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

Statements of loss

	2007	2006
Net sales	282.559	348.451
Cost of sales (-)	(230.121)	(295.769)
Operating expenses	(74.832)	(86.685)
Net operating loss	**(22.394)**	**(34.003)**
Other income, net	2.072	5.181
Financial expense, net	(4.588)	(3.453)
Loss before tax	**(24.910)**	**(32.275)**
Taxes on income	(461)	196
Net loss	**(25.371)**	**(32.079)**

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