ARÇELİK ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2005 TOGETHER WITH AUDITOR'S REPORT

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2005

CONTENTS **PAGE**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER

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

	Notes	2005	Restated 2004
ASSETS			
Current assets			
Cash and cash equivalents	4	267.191	258.953
Marketable securities (net)	5	-	38.305
Trade receivables (net)	7	1.600.089	1.310.900
Lease receivables (net)	8	-	83
Due from related parties (net)	9	121.268	102.238
Other receivables (net)	10	-	-
Biological assets (net)	11	-	-
Inventories (net)	12	619.274	727.195
Construction contract receivables (net)	13	-	-
Deferred tax assets	14	-	-
Other current assets	15	53.031	68.859
Total current assets		**2.660.853**	**2.506.533**
Non-current assets			
Trade receivables (net)	7	18.777	2.127
Lease receivables (net)	8	-	-
Due from related parties (net)	9	-	-
Other receivables (net)	10	-	-
Financial assets (net)	16	658.613	276.062
Goodwill/negative goodwill (net)	17	39.268	43.312
Investment properties (net)	18	-	-
Property, plant and equipment (net)	19	688.292	642.298
Intangible assets (net)	20	56.573	13.645
Deferred tax assets	14	210	780
Other non-current assets	15	-	-
Total non-current assets		**1.461.733**	**978.224**
Total assets		**4.122.586**	**3.484.757**

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

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER

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

	Notes	2005	Restated 2004
LIABILITIES			
Current liabilities			
Short-term bank borrowings	6	35.861	16.158
Current maturities of long-term bank borrowings	6	87.086	96.221
Lease payables (net)	8	208	2.128
Other financial liabilities (net)	10	55.694	51.374
Trade payables (net)	7	352.432	407.319
Due to related parties (net)	9	554.456	517.946
Advances received	21	195.429	192.634
Construction contracts progress billings (net)	13	-	-
Provisions	23	3.809	-
Deferred tax liabilities	14	-	-
Other current liabilities (net)	15	164.730	162.103
Total current liabilities		**1.449.705**	**1.445.883**
Non-current liabilities			
Long-term bank borrowings (net)	6	543.647	209.820
Lease payables (net)	8	140	6.217
Other financial liabilities (net)	10	10.676	12.196
Trade payables (net)	7	-	-
Due to related parties (net)	9	-	-
Advances received	21	-	-
Provisions	23	43.849	39.502
Deferred tax liabilities	14	12.033	33.622
Other non-current liabilities (net)	15	53.643	36.333
Total non-current liabilities		**663.988**	**337.690**
Total liabilities		**2.113.693**	**1.783.573**
MINORITY INTEREST	**24**	**21.837**	**22.019**
SHAREHOLDERS' EQUITY			
Share capital	25	399.960	399.960
Treasury shares	25	-	-
Capital reserves	26	1.251.364	1.018.241
Share premium		256.707	256.707
Share cancellation gains		-	-
Revaluation fund		-	-
Financial assets fair value reserve		245.673	12.550
Inflation adjustment to shareholders' equity		748.984	748.984
Profit reserves	27	4.478	(14.198)
Legal reserves		31.359	-
Statutory reserves		-	-
Extraordinary reserves		-	-
Special reserves		-	-
Investment and property sales income to be added to the capital		-	-
Translation reserve		(26.881)	(14.198)
Current year profit		312.153	290.207
Retained earnings/(Accumulated deficits)	28	19.101	(15.045)
Total shareholders' equity		**1.987.056**	**1.679.165**
Total shareholders' equity and liabilities		**4.122.586**	**3.484.757**
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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER

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

	Notes	**2005**	**Restated 2004**
Operating revenue			
Net sales	36	5.102.907	4.906.835
Cost of sales (-)		(3.814.291)	(3.679.973)
Gross operating profit		**1.288.616**	**1.226.862**
Operating expenses (-)	37	(880.483)	(836.647)
Net operating profit		**408.133**	**390.215**
Other income and profit	38	27.232	65.349
Other expenses and losses	38	(17.389)	(45.664)
Financial income/(expenses), net	39	8.733	68.122
(Loss)/income from associates, net	9	(13.066)	5.922
Income before monetary loss, taxes and minority interests		**413.643**	**483.944**
Monetary loss	40	-	(68.223)
Income before tax and minority interest		**413.643**	**415.721**
Minority interest	24	(6.541)	(5.601)
Income before tax		**407.102**	**410.120**
Taxes on income	41	(94.949)	(119.913)
Net income		**312.153**	**290.207**
Earnings per share (TRY)	42	0,780	0,726

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

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER
(Amounts expressed in thousands of New Turkish lira (TRY) unless otherwise indicated)

	Notes	2005	Restated 2004
Operating activities:			
Net income		**312.153**	**290.207**
Adjustments for:			
Increases and decreases in accruals and provisions	43	(33.948)	33.426
Depreciation and amortisation	19,20	149.809	143.557
Amortisation of goodwill, net	38	-	2.839
Interest income	39	(23.195)	(53.419)
Interest expense	39	44.697	21.985
(Loss)/income from investment in associated companies, net		13.066	(5.922)
Excess of negative goodwill in the fair value of identifiable non-monetary assets acquired	38	-	(36.305)
Impairment losses of fixed assets		-	13.392
Net loss from sales of property, plant and equipment, and intangible assets	38	892	5.156
Minority interest	24	6.541	5.601
Taxation expenses	41	94.949	119.913
Net cash provided by operating activities before changes in operating assets and liabilities		**564.964**	**540.430**
Changes in operating assets and liabilities, net	43	(220.503)	(189.520)
Income and corporate taxes paid	41	(83.408)	(153.333)
Net cash provided by operating activities		**261.053**	**197.577**
Investing activities:			
Cash provided from sale of tangible and intangible assets		8.559	9.673
Acquisition of tangible and intangible assets	19,20	(261.858)	(197.039)
Capital increases of associates		(113.290)	(31.893)
Net cash used in investing activities		**(366.589)**	**(219.259)**
Financing activities:			
Interest received		28.092	48.720
Interest paid		(41.992)	(22.796)
Dividends paid		(231.389)	(2.454)
Increase/(decrease) in bank borrowings, net		342.039	(63.365)
Net cash used in financing activities		**96.750**	**(39.895)**
Effect of exchange rate changes		(7.983)	208
Net (decrease)/increase in cash and cash equivalents		**(16.769)**	**(61.369)**
Cash and cash equivalents at the beginning of the period		**283.960**	**345.329**
Cash and cash equivalents at the end of the period		**267.191**	**283.960**

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

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

ARÇELİK ANONİM ŞİRKETİ

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

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

	Capital reserves				Profit reserves			Retained earnings			
	Share capital	Share premium	Inflation adjustment to shareholders' equity	Financial assets fair value reserve	Legal reserves	Extraordinary reserves	Translation reserve	Retained earnings	Net income for the period	Total	Shareholders' equity
Balance at 31 December 2003 - previously reported	**399.960**	**256.802**	**1.701.391**	**-**	**33.762**	**98.994**	**(9.861)**	**(1.258.153)**	**172.895**	**(1.085.258)**	**1.395.790**
Change in accounting policy - IAS 39 (Note 2)	-	-	-	10.750	-	-	-	(10.750)	-	(10.750)	-
Effect of correction in associates (Note 2)	-	-	-	-	-	-	-	(4.295)	-	(4.295)	(4.295)
Balance at 1 January 2004 – as restated	**399.960**	**256.802**	**1.701.391**	**10.750**	**33.762**	**98.994**	**(9.861)**	**(1.273.198)**	**172.895**	**(1.100.303)**	**1.391.495**
Transfers	-	(95)	(952.407)	-	(33.762)	(98.994)	-	1.258.153	(172.895)	1.085.258	-
Cumulative translation differences	-	-	-	-	-	-	(4.337)	-	-	-	(4.337)
Financial assets net fair value increases	-	-	-	1.800	-	-	-	-	-	-	1.800
Net income	-	-	-	-	-	-	-	-	209.207	290.207	290.207
Balance at 31 December 2004– as restated	**399.960**	**256.707**	**748.984**	**12.550**	**-**	**-**	**(14.198)**	**(15.045)**	**290.207**	**275.162**	**1.679.165**
Balance at 31 December 2004 - previously reported	**399.960**	**256.707**	**748.984**	**-**	**-**	**-**	**(14.198)**	**-**	**293.201**	**293.201**	**1.684.654**
Change in accounting policy - IAS 39 (Note 2)	-	-	-	12.550	-	-	-	(10.750)	(1.800)	(12.550)	-
Effect of correction in associates (Note 2)	-	-	-	-	-	-	-	(4.295)	(1.194)	(5.489)	(5.489)
Balance at 1 January 2005 – as restated	**399.960**	**256.707**	**748.984**	**12.550**	**-**	**-**	**(14.198)**	**(15.045)**	**290.207**	**275.162**	**1.679.165**
Change in accounting policy – IFRS 3 (Note 2)	-	-	-	-	-	-	-	4.475	-	4.475	4.475
Transfers	-	-	-	-	-	-	-	290.207	(290.207)	-	-
Dividend paid	-	-	-	-	31.359	-	-	(260.536)	-	(260.536)	(229.177)
Cumulative translation differences	-	-	-	-	-	-	(12.683)	-	-	-	(12.683)
Financial assets net fair value increases	-	-	-	233.123	-	-	-	-	-	-	233.123
Net income	-	-	-	-	-	-	-	-	312.153	312.153	312.153
Balance at 31 December 2005	**399.960**	**256.707**	**748.984**	**245.673**	**31.359**	**-**	**(26.881)**	**19.101**	**312.153**	**331.254**	**1.987.056**

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

NOTE 1 - ORGANISATION AND PRINCIPAL ACTIVITIES

Arçelik Anonim Şirketi (a Turkish corporation - "Arçelik" or "the Company") and its subsidiaries and associates (collectively, "the Group") undertake all commercial and industrial activities in respect of the production, sales and marketing including e-commerce, leasing, exportation and importation of electrical and non-electrical household appliances, their main and supplementary materials, mobile phones, electronic appliances and their spare parts. The Group operates eight manufacturing plants in Turkey and Romania. The Company is a member of the Koç Group of companies, which holds a majority stake in the Company. The Company's head office is located at Tuzla, 34950 Istanbul, Turkey.

The Company is registered with the Capital Markets Board ("CMB") and its shares have been quoted on the Istanbul Stock Exchange since 1986. At 31 December 2005 the shares quoted on the Istanbul Stock Exchange are approximately 21,29% of the total shares. At 31 December 2005, the principal shareholders and their respective shareholdings in the Company are as follows (Note 25):

	%
Koç Holding A.Ş.	39,14
Teknosan A.Ş.	14,68
Koç Family	9,81
Burla Ticaret ve Yatırım A.Ş.	7,66
Koç Holding Emekli ve Yardım Sandığı Vakfı	4,50
Other	24,21
	100,00

The Company's subsidiaries ("Subsidiaries") and investments in associated undertakings ("Associates") are explained in Note 2.

Starting from January 2001, the Company obtained the right to use the Beko brand from Beko Ticaret A.Ş. and to undertake the marketing, sales and distribution activities of Beko branded products for twenty years. The rights to use the Beko brand will be transferred to the Company at the termination of the contract.

The Company performs export sales either directly or through Ram Dış Ticaret A.Ş.

The number of employees of the Group is 10.827 (31 December 2004: 10.283).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Accounting policies

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

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards. Accordingly, International Accounting Standard ("IAS") 29 ("Financial Reporting in Hyperinflationary Economies") issued by IASB, has not been applied in consolidated financial statements for the accounting periods commencing from 1 January 2005. The consolidated financial statements presented for comparison purposes are expressed in the purchasing power of TRY at 31 December 2004. These consolidated financial statements and the related notes have been prepared under the alternative application defined by the CMB as explained above and presented in accordance with the formats required by the CMB with the announcement dated 20 December 2004.

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

2.2 Financial reporting in hyperinflationary periods

The consolidated financial statements at 31 December 2004 are expressed in terms of the purchasing power of TRY at 31 December 2004. As disclosed in the "accounting policies" note, 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. Therefore, inflation accounting was not applied commencing from 1 January 2005.

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. The restatement of the comparative amounts was calculated by means of conversion factors derived from the Turkish nationwide wholesale price index ("WPI") published by the State Institute of Statistics ("SIS"). Indices and conversion factors used to restate the comparative amounts in the consolidated financial statements until 31 December 2004 are given below:

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

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

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

2.3 New Turkish lira

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

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

2.4 Translation of foreign subsidiary financial statements

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

2.5 Group accounting

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

(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 Arçelik has the power to control the financial and operating policies for the benefit of Arçelik, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the voting rights, otherwise has 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 Arçelik and its Subsidiaries is eliminated against the related shareholders' equity. Intercompany transactions and balances between Arçelik and its Subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Arçelik in its Subsidiaries are eliminated from shareholders' equity and income for the period, respectively.

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

	Direct and indirect control by Arçelik and its Subsidiaries (%) 2005	**Direct and indirect control by Arçelik and its Subsidiaries (%) 2004**
Ardutch B.V. (“Ardutch”)	100,00	100,00
Artesis Teknoloji Sistemleri A.Ş. (“Artesis”) (*)	-	65,00
Beko Deutschland GmbH (“Beko Deutschland”)	100,00	100,00
Beko Electronics Espana S.L (“Beko Espana”)	99,97	99,97
Beko France S.A. (“Beko France”)	99,94	99,94
Beko Llc.	100,00	100,00
Beko Plc.	50,00	50,00
Beko Polska S.A. (“Beko Polska”)	100,00	100,00
Blomberg Vertriebsgesellschaft GmbH (“Blomberg Vertrieb”)	100,00	100,00
Blomberg Werke GmbH (“Blomberg Werke”)	100,00	100,00
Elektra Bregenz (“Elektra Bregenz”)	100,00	100,00
Raupach Wollert GmbH (“Raupach”)	100,00	100,00
SC Arctic SA (“Arctic”) (**)	96,69	94,85
Sherbrook International Limited (“Sherbrook”)	55,00	55,00

(*) Artesis, a Subsidiary of the Group, has been sold at 16 June 2005 and is excluded from the scope of consolidation at the date that the Group’s control ceased. Following the sales transaction, the Group has recognised the subsidiary sales loss in the consolidated income statements for the year ended 31 December 2005.

(**) On 1 November 2005, Ardutch, a Subsidiary of the Group, has acquired 1,83% of the shares of Arctic. Excess of the interest in the net fair value of identifiable net assets acquired over the cost of the acquisition is recognised in the consolidated income statement.

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

Ardutch, incorporated in the Netherlands, acts as a holding and finance company.

Beko Deutschland, incorporated in Germany, is engaged in import, export and marketing of durable consumer goods, electromotors and raw materials/investment goods.

Beko Espana, incorporated in Spain, primarily engages in the sales of electrical appliances purchased from the Group.

Beko France, incorporated in France, deals with the import, distribution and marketing of durable consumer goods.

Beko Llc. (previously known as Arus), incorporated in Russia, deals with the production of durable consumer goods and import, export, sales and marketing of white goods.

Beko Plc., incorporated in the United Kingdom, deals with the import, distribution and marketing of durable consumer goods.

Beko Polska, incorporated in Poland, is engaged in sales and marketing of durable consumer goods.

Blomberg Vertrieb, is engaged in the trading and marketing of washing machines, tumble driers and other kitchen equipment for fitted kitchens, heat pumps and storage heaters in Germany.

Blomberg Werke, incorporated in Germany, is in the liquidation process. The production lines of washing machines, tumble driers, heat pumps, wall-mounted and floor-standing storage heaters of Blomberg Werke have been moved to Turkey.

Elektra Bregenz, incorporated in Austria in 1992, is engaged in trading white goods and household products such as cookers, hobs, hoods, ovens, refrigerators and other household products.

Raupach is a holding company dealing with the purchase of holdings of other companies.

Arctic, incorporated in Romania, is engaged in the production of refrigerator and import, export, sales and marketing of white goods.

Sherbrook, incorporated in United Kingdom, deals with export, import and logistic warehousing of original accessories and spare parts related with the automotive industry.

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

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

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

The table below sets out the Associates and shows their shareholding ratio at 31 December:

	Direct and indirect control by Arçelik and its Subsidiaries (%) 2005	**Direct and indirect control by Arçelik and its Subsidiaries (%) 2004**
Arçelik-LG Klima Sanayi ve Ticaret A.Ş. ("Arçelik - LG")	45,00	45,00
Beko Elektronik A.Ş. ("Beko Elektronik")	22,36	22,36
Koç Tüketici Finansmanı ve Kart Hizmetleri A.Ş. ("Koç Tüketici Finans")	41,18	41,18
Ram Dış Ticaret A.Ş. ("Ram Dış Ticaret")	28,26	28,26
Ram Pacific Ltd. ("Ram Pacific")	25,00	25,00
Tanı Pazarlama ve İletişim Hizmetleri A.Ş. ("Tanı Pazarlama")	32,00	32,00

Beko Elektronik, incorporated in Turkey, was founded in 1966 for the manufacture and sale of colour televisions, household electronic appliances and electronic cash registers and the provision of related services. Its shares have been quoted on the Istanbul Stock Exchange since 1992.

Ram Dış Ticaret was founded as an export trading company of the Koç Group and became an international trading company in 1984. It exports merchandise and the products of affiliated companies and renders intermediary export and import services.

Koç Tüketici Finans, incorporated in Turkey, was established in 1995 to finance the purchase of goods and services by customers and to provide consumer credit.

Arçelik-LG, incorporated in Turkey in 1999, was established to engage in the production, sale and export of air conditioning units.

Tanı Pazarlama, incorporated in Turkey in 2002, was established to serve consultancy services related with marketing and communication.

Ram Pacific, incorporated in China in 1995, is a foreign trading company.

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

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

Available-for-sale investments in which the Group have attributable interests of more than 50%, which are immaterial for the Group's consolidated financial position, operation results and net assets, are not included in the scope of consolidation.

(e) The results of operations of Subsidiaries and Associates are either included or excluded from their effective dates of acquisition or disposal, respectively.

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

2.6 Comparatives

Where necessary, comparative figures are reclassified to conform to changes in presentation of the current period consolidated financial statements.

2.7 Changes in accounting policies and restatement of prior periods' financial statements

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

The Group recognised such gains and losses on available-for-sale financial assets in the consolidated statements of income until 31 December 2004. As a result of the revision in IAS 39, the Group applied the accounting policy change retrospectively, and accordingly, adjusted comparative financial information.

Furthermore; according to IFRS 3 ("Business Combinations"), the carrying value of previously recognised negative goodwill is derecognised at the beginning of the period, with a corresponding adjustment to the opening balance of retained earnings (Note 3 - Goodwill and amortisation of goodwill).

The Group's share of the corrections as a result of accounting policy changes in the financial statements of Koç Tüketici Finans, an Associate of the Group, is recognised in the consolidated financial statements.

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

2.8 Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

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

As of 31 December 2005, the accounting principles described in Note 2.1 (defined as CMB Accounting Standards) differ from IFRS issued by the International Accounting Standards Board with respect to the application of inflation accounting, presentation of the basic financial statements and the notes to them. Accordingly, these financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Related parties

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

3.2 Trade receivables

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

A credit risk provision for trade receivables is provided 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 7).

NOTE 3 - SUMMARY OF 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 calculated by using the effective interest method are recognised as financial income or expenses over the period of credit sale and purchases, and included under financial income and expenses (Note 39).

3.4 Loans and provisions for loan impairment

When the loan is originated by the Group by providing money directly to a bank, the loan is secured with marketable securities, Turkish government bonds and treasury bills, acquired under reverse repurchase agreements with banks with a predetermined sale price at fixed future dates and is stated at amortised cost. The accrued interest represents the apportionment to the current period of the difference between future sale prices and the amount provided by the Group. Such originated loans where original maturity at the time the money is directly transferred to the bank is less than three months, are considered and classified as cash equivalents for the purposes of statement of cash flows (Note 5).

A credit risk provision for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the 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 loan 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 current period's income statement.

3.5 Financial assets

Investment securities with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity. Investment securities 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. These are included in non-current assets unless management has the intention of holding the investment securities for less than 12 months from the balance sheet date, or unless they will need to be sold to raise working capital, in which case they are included in current assets. Management determines the appropriate classification of its investment securities at the time of the purchase and re-evaluates such designations on a regular basis. The unrealised gains and losses arising from changes in the fair value of available-for-sale securities are directly recognised in the equity without being related to net results of the period (Note 16).

All financial assets are initially recognised at the cost of the purchase including the transaction costs. Investments, in which the Group has ownership interest under 20%, do not have a quoted market prices in active markets, and whose fair values cannot be reliably measured, are carried at cost, less any provision for impairment.

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Inventories

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

3.7 Property, plant, equipment and depreciation

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

Land	-
Land improvement	25 years
Buildings	25-50 years
Machinery and equipment	10 years
Vehicles and other	4-6 years
Moulds	4-10 years

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

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

3.8 Intangible assets

Intangible assets comprise acquired information systems, trademarks, software, licenses and other identified rights. They are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives for a period not exceeding 10 years from the date of acquisition. Amortisation is not provided for trademarks and service organisation since they have an indefinite life. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount (Note 20).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Goodwill and amortisation of goodwill

Effective from 1 January 2005, in accordance with IFRS 3 – "Business Combinations", goodwill is accounted for the excess of the cost of business combination over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill recognised in a business combination is tested for impairment annually (as of 31 December) or more frequently if events or changes in circumstances indicates an impairment, instead of amortisation.

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

Previously recognised goodwill and negative goodwill, had been amortised over their estimated useful lives using the straight-line method in consolidated financial statements until 31 December 2004. The carrying value of negative goodwill from the acquisitions is derecognised in the financial statements in accordance with IFRS 3 with a corresponding adjustment to the opening balance of retained earnings (Note 17).

3.10 Finance leases

(1) The Group as the lessee

Finance leases

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

Operating leases

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

(2) The Group as the lessor

Finance leases

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognised on a straight-line basis over the lease term.

3.11 Borrowing cost

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

3.12 Deferred income taxes

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

The principal temporary differences arise from the restatement of property, plant and equipment and over their historical cost, unused tax credits, the portion of allowance for unearned credit finance income and expense, warranty provision, provision for employment termination benefits.

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.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset accordingly.

3.13 Employment termination benefits

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

3.14 Foreign currency transactions

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Revenue recognition

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

3.16 Interest income

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

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

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

3.18 Dividends

Dividends receivable are recognised as income in the period when they are declared and dividends payables are recognised as an appropriation of profit in the period in which they are declared (Note 9).

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).

3.20 Investment, research and development incentives

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

3.21 Share premium

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Financial instruments and financial risk management

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

Interest rate risk

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

Funding risk

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

Credit risk

Ownership of financial assets involves the risk that counter parties may be unable to meet the terms of their agreements. Majority of the receivables are from authorised dealers and related parties. The Group has in place effective credit evaluation, disbursement and monitoring procedures and those control procedures are supported by senior management. The credit risk is generally highly diversified due to the large number of entities comprising the customer bases. Another method in managing credit risk is the collaterals adequately received from authorised dealers.

Foreign currency risk

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

Fair value of financial instruments

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

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

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and held to maturity investments plus the respective accrued interest are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses.

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

The fair values of investment securities, which have been determined by reference to market values, approximate their carrying values.

Monetary liabilities

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

Trading liabilities, derivatives and foreign exchange instruments have been estimated at their fair values.

Borrowings that are denominated in foreign currencies are translated at period-end exchange rates and accordingly their fair values approximate their carrying values. The carrying values of borrowings along with the related accrued interest are estimated to be their fair values.

3.23 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation at the balance sheet date 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.

3.24 Contingent assets and liabilities

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

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.25 Earnings per share

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

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

There are no bonus shares issued during the period.

3.26 Reporting of cash flows

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

The analysis of cash and cash equivalents included in the consolidated statements of cash flows for the year ended 31 December is as follows:

	2005	2004
Cash, cheques on hand, bank deposits and other liquid assets (Note 4)	267.191	258.953
Government bonds, where remaining original maturities are less than three months (Note 5)	-	25.007
	267.191	**283.960**

NOTE 4 - CASH AND CASH EQUIVALENTS

	2005	2004
Cash in hand	72	122
Cash at banks		
- demand deposits	54.459	70.194
- time deposits	160.097	161.124
Cheques and notes	52.086	26.526
Other	477	987
	267.191	**258.953**

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

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

As of 31 December, maturities of cash and cash equivalents are as follows:

	2005	**2004**
Up to 30 days	246.719	192.709
30 – 90 days	20.472	66.244
	267.191	**258.953**

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

	2005 %	**2004 %**
TRY time deposits	12,75-15,00	21,60-25,00
Foreign currency time deposits	1,00-4,75	1,00-6,00

NOTE 5 - MARKETABLE SECURITIES

There are no short term marketable securities at 31 December 2005. As of 31 December 2004 all short-term marketable securities are held-to-maturity and the breakdown of such investments is as follows:

	2005	**2004**
Government bonds	-	38.305
	-	**38.305**

As of 31 December 2004 maturities of short-term marketable securities are as follows:

	2005	**2004**
Up to 90 days	-	25.007
90-180 days	-	10.000
Accrued interest income	-	3.298
	-	**38.305**

All marketable securities held at 31 December 2004 are in TRY and interest rates range from 23,00% to 23,90%.

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

NOTE 6 - BORROWINGS

(a) Short-term bank borrowings

	2005	2004
Eximbank loans	32.682	9.161
Foreign currency loans	3.179	6.997
	35.861	**16.158**

Interest rates for short-term TRY loans for the year ended 31 December 2005 range from 12,00% to 13,00% (31 December 2004: 17,00%). Interest rates for short-term foreign currency loans for the year ended 31 December 2005 range from 3,89% to 6,00% (31 December 2004: 3,25-7,00%).

(b) Long-term bank borrowings

As of 31 December 2005, long-term bank borrowings are as follows:

Currency	Interest rate per annum (%)	Original foreign currency	Balance outstanding TRY
USD	Libor+0,95-3,25 and 8%	64.834.551	86.995
GBP	Libor+1,38-3,75	34.279.659	79.258
EUR	Euro Libor+1,85-3,25	212.643.780	337.573
TRY	14,85	126.906.641	126.907
			630.733
Less: Current maturities			(87.086)
			543.647

As of 31 December 2004, long-term bank borrowings are as follows:

Currency	Interest rate per annum (%)	Original foreign currency	Balance outstanding TRY
USD	Libor+0-3,25	55.461.043	74.434
GBP	Libor+2,75-3,75	28.486.862	73.396
EUR	Euro Libor+2,60-3,25	86.605.320	158.211
			306.041
Less: Current maturities			(96.221)
			209.820

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

NOTE 6 - BORROWINGS (Continued)

The Company has syndication loans from the International Finance Corporation ("IFC") in the amount of USD9.857.143, EUR172.702.134, GBP17,769.231 and from the Netherlands Development Finance Company ("FMO") in the amount of EUR20.000.000 as at 31 December 2005. Loans obtained for general usage purposes consist of the purchase of equipment and other fixed assets for production and modernisation purposes, research and development and new product development, as well as acquisitions and increased working capital requirements.

The redemption schedules of the long-term bank borrowings are as follows:

	2005	2004
2006	-	93.673
2007	243.200	51.361
2008	104.142	38.313
2009	85.238	13.987
2010	65.009	8.324
2011 and over	46.058	4.162
	543.647	**209.820**

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables:	**2005**	**2004**
Trade receivables	439.722	451.511
Notes receivables	1.070.872	781.984
Cheques receivables	174.462	146.364
Doubtful receivables	16.437	26.061
	1.701.493	**1.405.920**
Less: Provision for doubtful receivables	(9.598)	(25.390)
Less: Unearned credit income	(91.806)	(69.630)
	1.600.089	**1.310.900**

Long-term trade receivables:

Trade receivables	17.973	1.141
Deposits and guarantees given	804	986
	18.777	**2.127**

Short-term trade payables:

Trade payables	356.005	410.917
Deposits and guarantees received	1.687	1.929
Unearned credit finance charges	(5.260)	(5.527)
	352.432	**407.319**

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

NOTE 8 - LEASE RECEIVABLES AND PAYABLES

(a) Finance lease receivables	**2005**	**2004**
Short-term finance lease receivables	-	83

(b) Finance lease payables	**2005**	**2004**
Short-term finance lease payables	208	2.128
Long-term finance lease payables	140	6.217
	348	**8.345**

The redemption schedules of long-term finance lease payables are as follows:

	2005	**2004**
2007	118	2.250
2008	22	2.221
2009	-	1.746
	140	**6.217**

(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 year-ends and a summary of major transactions with related parties during the year are as follows:

(i) Balances with related parties

(a) Due from related parties

	2005	2004
Ram Dış Ticaret A.Ş.	65.933	53.578
Akpa Dayanıklı Tüketim (*)	19.014	7.744
Türk Demir Döküm Fabrikaları A.Ş.	16.829	26.007
Other	19.136	14.403
	120.912	**101.732**
Due from personnel	356	506
	121.268	**102.238**

(*) Bursa Gaz ve Tic. A.Ş. continues its operations in the name of Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. ("Akpa Dayanıklı Tüketim").

(b) Due to related parties

	2005	2004
Beko Elektronik A.Ş.	308.629	232.602
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	82.558	36.968
Ram Dış Ticaret A.Ş.	79.653	151.368
Koç Faktoring Hizmetleri A.Ş.	23.536	20.769
Beko Ticaret A.Ş.	14.607	10.838
Döktaş A.Ş.	10.877	6.718
Kofisa S.A.	9.180	29.719
Ram Pasific Ltd.	8.936	694
Türk Demir Döküm Fabrikaları A.Ş.	6.269	1.183
Other	20.250	17.340
	564.495	**508.199**
Due to personnel	14.060	16.124
Less: Unearned credit finance charged to related parties	(24.099)	(6.377)
	554.456	**517.946**

(c) Deposits

	2005	2004
Koçbank A.Ş.		
- time deposits	54.736	75.927
- demand deposits	666	4.959
Yapı ve Kredi Bankası A.Ş		
- demand deposits	124	-
	55.526	**80.886**

(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

(a) Sales

	2005	2004
Ram Dış Ticaret A.Ş.	156.719	167.564
Akpa Dayanıklı Tüketim	68.558	43.616
Kofisa S.A.	27.631	6.298
Other	25.864	17.458
	278.772	**234.936**

(b) Purchases

	2005	2004
Beko Elektronik A.Ş.	717.014	681.009
Ram Dış Ticaret A.Ş.	380.413	571.318
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	194.255	142.367
Kofisa S.A.	86.579	116.955
Beko Ticaret A.Ş.	65.721	55.512
Türk Demir Döküm Fabrikaları A.Ş.	54.090	51.410
Döktaş A.Ş.	53.373	48.984
Ram Pacific Ltd.	20.169	-
Ram Sigorta Aracılık Hizmetleri A.Ş.	13.930	15.122
İzocam Ticaret ve Sanayi A.Ş.	12.391	13.257.
Palmira Turizm Ticaret A.Ş.	10.022	-
Other	52.153	54.467
	1.660.110	**1.750.401**
Less: Credit finance charges to related parties (Note 39)	(26.647)	(31.091)
	1.633.463	**1.719.310**

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

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

(c) Income/(loss) from investments in associated companies, net

	2005	2004
Beko Elektronik A.Ş.	(30.681)	2.308
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	7.165	3.738
Koç Tüketici Finansmanı ve Kart Hizmetleri A.Ş.	9.457	3.442
Ram Dış Ticaret A.Ş.	391	(2.232)
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	(42)	(1.334)
Ram Pacific Ltd	644	-
	(13.066)	**5.922**

(d) Other transactions with related parties

	2005	2004
Dividends paid	231.389	2.454
Interest income	13.873	20.226
Technical service assistance income	2.726	1.669
Dividends income	411	1.033
Rent income	158	115
Other income	2.421	4.699

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

Other short-term financial liabilities

	2005	2004
Taxes and duties payable	43.397	40.281
Rescheduled taxes payable	12.297	11.093
	55.694	**51.374**

Other long-term financial liabilities

	2005	2004
Rescheduled taxes payable	10.676	12.196
	10.676	**12.196**

NOTE 11 - BIOLOGICAL ASSETS

There is no biological asset in the operations of the Group.

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

NOTE 12 - INVENTORIES

	2005	2004
Raw materials and supplies	202.433	186.445
Semi-finished goods	20.728	24.420
Finished goods	127.703	165.300
Merchandises	146.998	161.877
Goods-in-transit	127.064	194.628
	624.926	**732.670**
Less: Provision for slow-moving and obsolete inventories	(5.652)	(5.475)
	619.274	**727.195**

NOTE 13 - CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLINGS

The Group has no construction contract receivables or progress billings.

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes

	2005	2004
Deferred tax assets	210	780
Deferred tax liabilities	(12.033)	(33.622)
Deferred tax liabilities- net	**(11.823)**	**(32.842)**

The Company recognises deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with CMB Accounting Standards and their statutory financial statements.

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

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Tax rates used for calculation of deferred tax assets and liabilities based on temporary differences expected to be realised or settled based on the taxable income in coming years under the liability method are 30%, 16%, 30% and 19% for Turkey, Romania, the United Kingdom and Poland, respectively.

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

	Cumulative temporary differences		**Deferred tax assets/(liabilities)**	
	2005	**2004**	**2005**	**2004**
Net difference between the tax base and carrying amount of property plant and equipment and intangible assets	274.933	302.379	(79.313)	(86.736)
Provision for warranties and assembly	(119.394)	(79.185)	34.956	23.608
Portion of allowance for unearned credit finance income and expense that is currently non-tax deductible/taxable	(60.955)	(57.338)	18.287	17.201
Provision for employment termination benefits	(42.966)	(38.439)	12.889	11.532
Unused tax credits	(4.053)	(7.125)	649	1.261
Other provisions	(5.279)	(910)	709	292
Deferred tax liabilities-net			**(11.823)**	**(32.842)**

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

NOTE 15 - OTHER CURRENT/NON CURRENT ASSETS AND LIABILITIES

Other current assets

	2005	2004
Value Added Tax (VAT) receivable	22.739	24.323
Taxes and funds deductible	20.288	28.439
Prepaid expenses	5.481	6.191
Assets held for sale	3.175	8.354
Other	1.348	1.552
	53.031	**68.859**

Other current liabilities

	2005	2004
Warranty provision	81.130	81.348
Assembly provision	22.782	14.661
Deferred income	14.220	14.841
Accrual for marketing and sales expenses	12.995	18.021
Transportation expenses provision	8.319	10.029
Accrual for bonuses and premiums	3.112	6.503
Other	22.172	16.700
	164.730	**162.103**

Other non- current liabilities

	2005	2004
Warranty provision	50.962	32.009
Deferred income	1.889	1.908
Other	792	2.416
	53.643	**36.333**

NOTE 16 - FINANCIAL ASSETS

	2005	2004
Available-for-sale investments	464.853	123.586
Held-to-maturity investments	55.802	17.524
Investments in associated companies	137.958	134.952
	658.613	**276.062**

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

NOTE 16 - FINANCIAL ASSETS (Continued)

i. Available-for-sale investments:

	2005		2004	
	%	**TRY**	**%**	**TRY**
Koç Finansal Hizmetler A.Ş.	6,96	448.270	6,96	102.752
Entek Elektrik A.Ş.	6,86	15.782	6,86	20.040
Beko S.A. Hungarian (*)	100,00	410	-	-
Arcelitalia (*)	100,00	191	100,00	191
Beko S.A. Czech Republic (*)	100,00	95	-	-
Tat Konserve Sanayii A.Ş.	0,34	71	0,34	192
Eco Systems	2,00	32	-	-
ArticPro SRL	0,99	1	0,99	1
Çerkezköy Enerji A.Ş.	0,00	1	0,04	1
Arctic Service (*)	100,00	-	100,00	-
Archin Limited (*)	99,99	-	99,99	23
Basic International Investment Ltd. (**)	20,00	-	20,00	-
Srccb SA	8,30	-	8,30	-
Idea A.Ş.	2,67	-	2,67	386
Banca Internationala a Religiflor	0,80	-	0,80	-
Ubicom Inc.	0,02	-	0,02	-
		464.853		**123.586**

(*) Available-for-sale investments, in which Arçelik and its Subsidiaries have ownership interests over 20% and which are immaterial, are carried at cost, less any provision for impairment.

(**) Available-for-sale investments, in which Arçelik and its Subsidiaries have ownership interest of 20% and which the Group does not exercise a significant influence over, are carried at cost, less any provision for impairment.

Impairment loss provision for available-for-sale investments amount to TRY70.942 (31 December 2004: TRY70.923) at 31 December 2005.

The unrealised gains (net) arising from changes in the fair value of investments in Koç Finansal Hizmetler A.Ş., Entek Elektrik A.Ş. and Tat Konserve Sanayi A.Ş. amounting to TRY227.849 are recognised in equity under "financial assets fair value reserve".

ii. Held-to-maturity investments:

	2005	**2004**
Time deposits	39.025	-
Eurobonds	16.777	16.780
Government bonds	-	744
	55.802	**17.524**

Interest rate for time deposits held at 31 December 2005 is 8,00%. Interest rate for Eurobonds held at 31 December 2005 is 9,88% (31 December 2004: 9,88%). Interest rate for government bonds held at 31 December 2004 is 21,20%- 24,25%.

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

NOTE 16 - FINANCIAL ASSETS (Continued)

iii. Investments in associated companies

The respective shares of the Company and its Subsidiaries in investments in associated companies at 31 December are as follows:

	%	2005 TRY	%	2004 TRY
Beko Elektronik A.Ş.	22,36	60.857	22,36	75.265
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	45,00	38.964	45,00	31.799
Koç Tüketici Finansmanı ve Kart Hizmetleri A.Ş.	39,50	31.892	39,50	22.435
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	32,00	3.011	32,00	3.053
Ram Dış Ticaret A.Ş.	26,75	1.862	26,75	1.471
Ram Pacific Ltd.	25,00	1.372	25,00	929
		137.958		**134.952**

Portion of current year change in associates amounting to TRY5.274 is accounted in financial assets fair value reserve in consolidated statement of shareholders' equity.

NOTE 17 - GOODWILL/NEGATIVE GOODWILL

	1 January 2005	Additions	Disposals	Transfers	Currency translation difference	31 December 2005
Goodwill	90.790	-	-	(11.530)	(250)	79.010
Accumulated amortisation	(43.003)	-	-	3.180	81	(39.742)
Net book value	47.787	-	-	(8.350)	(169)	39.268
Negative goodwill	(7.783)	-	7.783	-	-	-
Accumulated amortisation	3.308	-	(3.308)	-	-	-
Net book value	(4.475)	-	4.475	-	-	-
Total net book value	**43.312**	**-**				**39.268**

Previously recognised negative goodwill with carrying value of TRY4.475 as of 1 January 2005 resulting from acquisition of Blomberg Vertrieb has been derecognised from financial statements at the beginning of the period in accordance with IFRS 3 with a corresponding adjustment to the opening balance of retained earnings (Note 3).

Assets with a carrying value of TRY8.350 were transferred from "Goodwill/Negative Goodwill" to "Intangible Assets" (Note 20).

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

NOTE 18 - INVESTMENT PROPERTY

The Group has no investment property.

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2005	Additions	Disposals	Transfers	Currency translation difference	Disposal from scope of consolidation	31 December 2005
Cost							
Land	16.817	292	(213)	(2.826)	(257)	-	13.813
Land improvement	16.479	752	(19)	17	(24)	-	17.205
Buildings	253.522	3.517	(1.445)	(15.216)	(4.933)	-	235.445
Machinery and equipment	1.614.812	115.193	(39.852)	(16.663)	(5.314)	(188)	1.667.988
Motor vehicles, furniture and fixtures	127.360	8.962	(10.525)	31.921	(3.348)	(66)	154.304
Leasehold improvements	17.233	14.616	-	20	(71)	-	31.798
	2.046.223	**143.332**	**(52.054)**	**(2.747)**	**(13.947)**	**(254)**	**2.120.553**
Accumulated Depreciation							
Land improvement	(6.925)	(639)	11	200	44	-	(7.309)
Buildings	(109.919)	(9.335)	916	15.357	3.143	-	(99.838)
Machinery and equipment	(1.193.272)	(121.759)	37.857	28.224	3.141	77	(1.245.732)
Motor vehicles, furniture and fixtures	(96.850)	(11.462)	10.164	(23.990)	2.545	41	(119.552)
Leasehold improvements	(6.950)	(2.686)	-	(20)	13	-	(9.643)
	(1.413.916)	**(145.881)**	**48.948**	**19.771**	**8.886**	**118**	**(1.482.074)**
Construction in progress	9.609	59.376	(2.966)	(20.199)	(146)	(166)	45.508
Advances given	382	7.853	(3.930)	-	-	-	4.305
Net book value	**642.298**	**64.680**	**(10.002)**	**(3.175)**	**(5.207)**	**(302)**	**688.292**

Mortgages on property, plant and equipment amount to TRY15.874 at 31 December 2005 (31 December 2004: TRY18.317).

A building with the cost of TRY18.731 and accumulated depreciation of TRY15.556 was transferred to "Other Current Assets" from buildings under the property, plant, equipment with a net value of TRY3.175.

Disposal from scope of consolidation is due to the sale of Artesis.

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

NOTE 20 - INTANGIBLE ASSETS

	1 January 2005	Additions	Disposals	Transfers	Currency translation difference	Disposal from scope of consolidation	31 December 2005
Cost							
Rights	44.813	40.316	(2.740)	11.873	(2.621)	(3.168)	88.473
Other intangible assets	1.679	-	(125)	(343)	(175)	-	1.036
	46.492	**40.316**	**(2.865)**	**11.530**	**(2.796)**	**(3.168)**	**89.509**
Accumulated amortisation							
Rights	(31.333)	(3.793)	2.749	(3.307)	1.088	2.894	(31.702)
Other intangible assets	(1.514)	(135)	106	127	182	-	(1.234)
	(32.847)	**(3.928)**	**2.855**	**(3.180)**	**1.270**	**2.894**	**(32.936)**
Net book value	**13.645**	**36.388**	**(10)**	**8.350**	**(1.526)**	**(274)**	**56.573**

TRY38.210 of additions results from the acquisition of Beko After Sales Service Organisation.

Transfers to rights at a cost of TRY11.530 and accumulated amortisation of TRY3.180 are from "Goodwill" (Note 17).

Disposal from scope of consolidation is due to the sale of Artesis.

NOTE 21 - ADVANCES RECEIVED

	2005	**2004**
Order advances received	195.148	192.402
Other advances received	281	232
	195.429	**192.634**

NOTE 22 - RETIREMENT PLANS

There is no liability for retirement plans in the consolidated balance sheet.

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

NOTE 23 - PROVISIONS

a) Short-term provisions

	2005	**2004**
Tax provision (Note 41)	3.809	-

b) Long-term provisions

	2005	**2004**
Provision for employment termination benefits	43.849	39.502

There are no agreements for pension commitments other than the legal requirement as explained below.

Under the Turkish Labour Law, the Company and its Turkish Subsidiaries and Associates are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men). Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to length of service prior to retirement.

The amount payable consists of one month's salary limited to a maximum of TRY1,72715 (31 December 2004: TRY1,57474) for each period of service at 31 December 2005.

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

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

IAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

	2005	**2004**
Discount rate (%)	5,49	5,45
Turnover rate to estimate the probability of retirement (%)	99	99

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TRY1,77062 (1 January 2005: TRY1,64890) which is effective from 1 January 2006 has been taken into consideration in calculating the reserve for employment termination benefit of the Company and its Turkish Subsidiaries and Associates.

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

NOTE 23 - PROVISIONS (Continued)

Movements in the provision for employment termination benefits are as follows:

	2005	**2004**
Balance at the beginning of the year	39.502	39.179
Increase in the year	11.771	10.370
Payments during the year	(7.357)	(5.287)
Disposal from scope of consolidation (Artesis)	(67)	-
Monetary gain	-	(4.760)
Balance at the end of the year	**43.849**	**39.502**

NOTE 24 - MINORITY INTEREST

Changes in minority interest during the year are as follows:

	2005	**2004**
Balance at the beginning of year	**22.019**	**20.367**
Dividend payments	(2.213)	(2.454)
Decrease in minority interest due to sale of Subsidiary (Artesis)	(547)	-
Decrease in minority interest due to acquisition of Subsidiary (Arctic)	(1.579)	-
Currency translation differences	(2.384)	(1.495)
Net income attributable to minority interest	6.541	5.601
Balance at the end of year	**21.837**	**22.019**

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

NOTE 25 - SHARE CAPITAL/ADJUSTMENT TO SHARE CAPITAL

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

The Company's historical registered and authorised and paid-in share capital at 31 December are as follows:

	2005	**2004**
Limit on registered share capital	500.000	500.000
Authorised and paid-in share capital	399.960	399.960

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

	2005		**2004**	
Shareholders	**% Share**	**Amount**	**% Share**	**Amount**
Koç Holding	39,14	156.546	39,14	156.546
Teknosan A.Ş.	14,68	58.709	14,68	58.709
Koç Family	9,81	39.252	10,25	41.001
Burla Ticaret ve Yatırım A.Ş.	7,66	30.649	7,66	30.649
Koç Holding Emekli ve Yardım Sandığı Vakfı	4,50	17.982	4,50	17.982
Other	24,21	96.822	23,77	95.073
, **Total**	100,00	399.960	100,00	399.960
Adjustment to share capital		468.811		468.811
Total paid-in share capital		**868.771**		**868.771**

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.

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

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

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

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

Effective from 1 January 2004, the IFRS net income computed in accordance with Communiqué No: XI-25 must be distributed in the ratio of a minimum of 30% of total distributable profit. This distribution may be made either as cash, as pro-rata shares or as a combination of both, in accordance with the decisions taken in general assemblies.

The Company distributed dividends of TRY229.177 from prior periods income and extraordinary reserves during the year 2005.

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

Inflation adjustment to shareholders' equity shall only be netted-off against prior years' losses and used as an internal source in capital increase where extraordinary reserves can be netted-off against prior years' losses or used in distribution of bonus shares and distributions of dividends to shareholders. In accordance with the Communiqué No: XI-25, at 31 December the shareholders' equity schedule, is as follows:

	2005	**2004**
Paid-up capital	399.960	399.960
Legal reserves	31.359	-
Extraordinary reserves	-	-
Share premium	-	-
Inflation adjustment to shareholders' equity	748.984	748.984
Financial assets fair value reserve	245.673	12.550
Net income	312.153	290.207
Prior years' income/(losses)	19.101	(15.045)
Share premium arising from the fair value of the acquired assets and liabilities	256.707	256.707
Translation reserve	(26.881)	(14.198)
Total shareholders' equity	**1.987.056**	**1.679.165**

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

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

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

	Nominal value	Restated amounts	Inflation Adjustment to Shareholders' Equity
Share capital	399.960	868.771	468.811
Offsetting difference (*)	-	280.173	280.173
	399.960	**1.148.944**	**748.984**

(*) Inflation adjustment to shareholders' equity amounting to TRY280.173 which is the remaining balance of equity accounts have been zeroed by offsetting as shown in the inflation adjustment to shareholders' equity account.

NOTE 29 - FOREIGN CURRENCY POSITION

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

	2005	2004
Assets	873.507	813.610
Liabilities	(900.551)	(779.100)
Off-balance sheet liabilities	-	(38.096)
Net foreign currency position	**(27.044)**	**(3.586)**

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

NOTE 29 - FOREIGN CURRENCY POSITION (Continued)

TRY equivalents of assets and liabilities denominated in foreign currency at 31 December 2005 are as follows:

31 December 2005

	EUR	USD	GBP	Other	Total
Current assets:					
Cash and cash equivalents	118.871	15.645	39.816	10.978	185.310
Trade receivables (net)	206.588	26.198	67.247	57.611	357.644
Due from related parties (net)	78.710	1.716	16.106	418	96.950
Other receivables (net)	-	-	-	-	-
Inventories (net)	53.399	-	67.233	36.862	157.494
Other current assets	12.807	24	27	6.460	19.318
Non-current assets:					
Trade receivables (net)	779	-	-	-	779
Financial assets (net)	-	55.802	-	-	55.802
Deferred tax assets	-	-	-	210	210
Other non-current assets	-	-	-	-	-
Total assets	**471.154**	**99.385**	**190.429**	**112.539**	**873.507**
Current liabilities:					
Short-term bank borrowings	3.175	-	4	-	3.179
Current maturities of long-term bank borrowings	37.483	34.422	13.274	-	85.179
Lease payables (net)	-	-	138	70	208
Other financial liabilities (net)	2.205	-	6.244	811	9.260
Trade payables (net)	78.486	13.445	3.601	7.520	103.052
Due to related parties (net)	126.564	8	39.470	5.858	171.900
Advances received	-	-	9	1	10
Provisions	623	-	503	158	1.284
Other current liabilities (net)	36.923	2.206	42.815	10.973	92.917
Non-current liabilities:					
Long-term bank borrowings (net)	300.090	52.573	65.984	-	418.647
Lease payables (net)	-	-	126	14	140
Other financial liabilities (net)	-	-	-	4.546	4.546
Provisions	884	-	-	8	892
Deferred tax liabilities	-	-	256	1.123	1.379
Other non-current liabilities (net)	792	-	-	7.166	7.958
Total liabilities	**587.225**	**102.654**	**172.424**	**38.248**	**900.551**
Off-balance sheet liabilities	-	-	-	-	-
Net position	**(116.071)**	**(3.269)**	**18.005**	**74.291**	**(27.044)**

The net foreign currency position of the Group as of 31 December 2005 is negative TRY27.044 equivalent to EUR17.035.591.

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

NOTE 29 - FOREIGN CURRENCY POSITION (Continued)

TRY equivalents of assets and liabilities denominated in foreign currency at 31 December 2004 are as follows:

31 December 2004

	EUR	USD	GBP	Other	Total
Current assets:					
Cash and cash equivalents	82.743	9.099	25.859	9.326	127.027
Trade receivables (net)	313.865	20.724	85.509	58.424	478.522
Due from related parties (net)	901	2.709	29.492	5	33.107
Other receivables (net)	126	-	76	168	370
Inventories (net)	58.186	-	57.326	30.537	146.049
Other current assets	7.905	8	696	992	9.601
Non-current assets:					
Trade receivables (net)	1.646	-	-	-	1.646
Financial assets (net)	-	16.508	-	-	16.508
Deferred tax assets	-	-	323	457	780
Other non-current assets	-	-	-	-	-
Total assets	**465.372**	**49.048**	**199.281**	**99.909**	**813.610**
Current liabilities:					
Short-term bank borrowings	3.657	-	3.343	-	7.000
Current maturities of long-term bank borrowings	43.414	41.073	11.734	-	96.221
Lease payables (net)	1.867	-	146	115	2.128
Other financial liabilities (net)	2.010	-	11.281	1.018	14.309
Trade payables (net)	114.147	17.219	4.944	6.476	142.786
Due to related parties (net)	154.462	2	22.061	336	176.861
Advances received	87	-	-	4	91
Provisions	2.054	-	2.260	1.914	6.228
Other current liabilities (net)	37.459	941	50.702	9.414	98.516
Non-current liabilities:					
Long-term bank borrowings (net)	114.797	33.361	61.662	-	209.820
Lease payables (net)	5.923	-	294	-	6.217
Other financial liabilities (net)	-	-	-	6.050	6.050
Provisions	995	-	-	-	995
Deferred tax liabilities	-	-	-	3.518	3.518
Other non-current liabilities (net)	1.758	-	1	6.601	8.360
Total liabilities	**482.630**	**92.596**	**168.428**	**35.446**	**779.100**
Off-balance sheet liabilities	**(37.750)**	**-**	**-**	**(346)**	**(38.096)**
Net position	**(55.008)**	**(43.548)**	**30.853**	**64.117**	**(3.586)**

The net foreign currency position of the Company as of 31 December 2004 is negative TRY3.586 equivalent to EUR1.962.390.

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

NOTE 30 - GOVERNMENT GRANTS

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

a) 100% exemption from customs duty on machinery and equipment to be imported;
b) Value Added Tax exemption with respect to purchases of investment goods both from domestic and export markets;
c) Exemption of tax and funds (for the incentives 67302, 67303, 72396);
d) A 100% investment allowance for purchases of assets and construction costs for investments; 67302 and 67303; 40% investment allowance for investments; 72396, 74349, 74387, 74408, 74840, 75810, 75864, 76568;
e) Investment incentive amounting to 40% of the investment expenditures related to tangible and intangible assets for the year 2005 exceeding TRY10 made after 24 April 2003 (Note 41),
f) 40% of the research and development expenditures (Note 41).

The 100% investment allowance indicated in (d) above is deductible from current or future taxable profits for the purposes of corporation tax. However, such investment allowances are subject to withholding tax. For 40% investment allowances there is no such withholding taxation.

Total investments subject to investment allowances amount to TRY107.114 in 2005. Total research and development expenditures subject to allowances amount to TRY32.764 in 2005.

NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

Provisions

Provisions in consolidated financial statements are disclosed in Notes 15 and 23.

Commitments and contingent liabilities

a) Guarantees and commitments given are as follows at 31 December

	2005	**2004**
Collateral obtained	1.074.657	846.275
Guarantee notes given	41.657	16.935
Pledges given	13.137	17.962
Forward commitments	4.280	4.436
Other guarantees	185	1.000
Capital commitments	-	17

b) In connection with the Inward Processing Permission Certificates, the Company committed to realise export sales amounting to USD1.414.925.057 (31 December 2004: USD718.147.580) at 31 December 2005.

c) The export commitments in scope of the Investment Incentive Certificates at 31 December 2005 amount to USD21.000 (31 December 2004: USD21.000).

d) In connection with the Investment Incentives Certificates, the Company committed to realise a capital increase amounting to TRY102.103 at 31 December 2005 (31 December 2004: TRY113.006) at 31 December 2005.

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

NOTE 32 – BUSINESS COMBINATIONS

There are no business combinations in 2005 and 2004.

NOTE 33– SEGMENT REPORTING

Primary reporting format - Business segment

The Group is engaged in the production and sale of electrical and manual household appliances. Since the products that the Group produces are not subject to different risks and returns, no distinguishable business segment is identified.

Secondary reporting format - Geographical segment

The Group's geographical segments are organised as Turkey and Europe. Turkey, where the domestic activities are performed, is the home country of the parent company, Arçelik, which is also the main operating company.

	2005	2004
Segment sales		
Turkey	3.101.751	2.770.173
Europe	1.744.266	1.876.314
Other	256.890	260.348
	5.102.907	**4.906.835**

Segment assets	**2005**	**2004**
Turkey	3.565.009	2.901.706
Europe	511.323	583.051
Other	46.254	-
	4.122.586	**3.484.757**

	2005	2004
Segment capital expenditures		
Turkey	188.536	169.290
Europe	23.646	22.815
Other	38.695	-
	250.877	**192.105**

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

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

NOTE 34 - SUBSEQUENT EVENTS

In the Board of Directors meeting held dated 21 January 2006, it has been resolved to register the share pledges in favour of J.P. Morgan Europe Limited on shares with nominal value TRY 156,546 by shareholder, Koç Holding A.Ş., within the framework of the Secured Term Facility Agreement dated 21 January 2006 executed between Koç Holding A.Ş. as borrower and J.P. Morgan Europe Limited as Agent, Security Trustee and Calculation Agent and J.P. Morgan Chase Bank N.A. as Original Bank and as per the share pledge agreement dated 21 January 2006 entered into between shareholder Koç Holding A.Ş. as pledgor and J.P. Morgan Europe Limited as pledgee, with the shareholders' ledger of the Company.

NOTE 35 - DISCONTINUED OPERATIONS

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

NOTE 36 - OPERATING INCOME

	2005	2004
Domestic sales	3.243.902	2.893.382
Foreign sales	2.188.853	2.314.409
Gross sales	**5.432.755**	**5.207.791**
Less: Discounts	(329.848)	(300.956)
Net sales	**5.102.907**	**4.906.835**

NOTE 37 - OPERATING EXPENSES

	2005	2004
Research and development expenses	(48.039)	(46.336)
Selling and marketing expenses	(607.541)	(549.236)
General administrative expenses	(224.903)	(241.075)
Operating expenses	**(880.483)**	**(836.647)**

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

NOTE 38 - OTHER INCOME/EXPENSES AND PROFIT / LOSSES

The other income and expenses for the periods ended 31 December are as follows:

	2005	2004
Other income		
Reversal of provisions	10.255	6.980
Indemnities and incentives	6.324	1.779
Service income	2.810	1.517
Rent income	982	1.201
Dividend income	411	1.033
Income from fixed asset sales	334	915
Excess of negative goodwill in the fair value of identified non-monetary assets acquired	-	36.305
Amortisation of negative goodwill	-	5.834
Other	6.116	9.785
Other income and profit	**27.232**	**65.349**

	2005	2004
Other expenses		
Provision expenses	(10.603)	(18.972)
Restructuring expenses	(2.301)	(3.299)
Loss from fixed asset sales	(1.226)	(6.071)
Amortisation of goodwill	-	(8.673)
Other	(3.259)	(8.649)
Other expenses and losses	**(17.389)**	**(45.664)**

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

NOTE 39 - FINANCIAL INCOME/EXPENSES

The financial income and expenses for the periods ended 31 December are as follows:

	2005	2004
Credit finance income	110.747	104.362
Foreign exchange gains	83.065	51.923
Interest income from bank deposits and loan to banks secured with government bonds and treasury bills	23.195	53.419
Other	2.427	5.139
Financial income	**219.434**	**214.843**
Foreign exchange losses	(79.252)	(47.770)
Credit finance charges	(67.036)	(53.316)
Interest on borrowings	(44.697)	(21.985)
Cash discounts expenses	(18.448)	(18.599)
Other	(1.268)	(5.051)
Financial expenses	**(210.701)**	**(146.721)**
Financial income/(expenses), net	**8.733**	**68.122**

NOTE 40 - NET MONETARY POSITION GAIN/LOSSES

On 17 March 2005, the CMB has announced that the application of inflation accounting is no longer required for the companies operating in Turkey effective from 1 January 2005 (Note 2).

Consequently, inflation accounting was not applied for the period beginning on or after 1 January 2005, therefore there is no gain/loss on net monetary position for the year ended 2005.

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

NOTE 41 - TAXES ON INCOME

	2005	**2004**
Corporation and income taxes	108.229	107.902
Less: prepaid tax	(104.420)	(128.914)
Taxes payable/(receivable), net	3.809	(21.012)
Deferred tax liabilities, net	11.823	32.842
	15.632	**11.830**

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

Corporation tax rate of the fiscal year 2005 is 30%. Corporation tax is payable at a rate of 30% on the total income of the Company after adjusting for certain disallowable expenses, exempt income (like participation exemption) and allowances (like investment allowance, research and development expenditures deduction). No further tax is payable unless the profit is distributed.

In accordance with Tax Law No.5024 "Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law" published in the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish lira. Corporate taxpayers are obliged to prepare the opening balance sheets restated for inflation at 31 December 2003. Corporate taxpayers, who are required to follow the inflation accounting principles in accordance with the aforementioned Communiqué, are obliged only to restate their balance sheets for the periods ended after 1 January 2004. The Company has not applied restatement for inflation in its statutory financial statements as of 31 December 2005 in accordance with Tax Procedure Law since the due requirements of restatement for inflation have not been materialised.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 10%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

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

NOTE 41 - TAXES ON INCOME (Continued)

The exception for participation share and property sales profit which took part in Corporation Tax Law temporary articles 28 and 29 has been ended as of 31 December 2004. However, this arrangement has been added to Corporation Tax Law article 8 as permanent exception with Law No. 5281 dating from 1 January 2005. Calculated investment allowance deduction right is transferred to the future periods in case that corporate income is not sufficient to use this right in the current period.

According to this, profit of corporations' participation shares and property sales which have taken part in assets at least for two years -dependent on corporation capital addition commitment in definite conditions- will be exempted from corporation tax. The two year commitment will not be required when debtors of the banks and their guarantors transfer their property and participation shares as a compensation for debt.

On the other hand, in parallel with the change in Corporation Tax Law, Value Added Tax exception previously regulated in Value Added Tax Law temporary article 10 and applied in parallel with the exemption in Corporation Tax Law has been amended and the property sale and Value Added Tax exemption application has become permanent.

Furthermore, title deed and cadastral fees exception was applied in transactions that are subject to property sales profit exception in Corporation Tax Law temporary article 28 and 29/6 but ended in 31 December 2004. However since there is no regulation on this subject, property sales will be subject to a title deed fee in general.

Capital expenditures, with some exceptions, over TRY10 are eligible for investment incentive allowance of 40%, which is deductible from taxable income prior to calculation of the corporate income tax, without the requirement of an investment incentive certificate, and the amount of allowance is not subject to withholding tax. Investment allowances utilised within the scope of investment incentive certificates granted prior to 24 April 2003 are subject to withholding tax at the rate of 19,8%, irrespective of profit distribution.

In accordance with the Tax Law 5228 item 28.9 dated 16 July 2004, 40% of the research and development expenditures on technology and knowledge research made by the Company itself with effect from 31 July 2004 are exempted from corporate tax. Such exemptions are not subject to withholding taxes.

For the properties that are depreciated more than normal because of forcedly usage, "Extraordinary Economical and Technical Depreciation Ratios" are used. For the properties that are demanded for extraordinary depreciation, which are used for between 3001 hours and 4800 hours in a year, addition to the ratio of declining balances method is the 25% of the normal depreciation. For the assets used for more than 4800 hours, the addition to the ratio of declining balances method is 30% of the normal depreciation.

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

NOTE 41 - TAXES ON INCOME (Continued)

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 15th of the fourth month following the close of the financial year to which they relate. Tax returns are open for 5 years from the beginning of the year that follows the date of filing, during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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

	2005	2004
Taxes on income		
- Current	(115.945)	(114.446)
- Deferred	20.996	(5.467)
Taxes on income	**(94.949)**	**(119.913)**

NOTE 42 - EARNINGS PER SHARE

The earnings per share for each year are as follows:

	2005	2004
Net profit for the year	312.153	290.207
Weighted average number of ordinary shares with nominal value of TRY1 each	399.960.000	399.960.000
Earnings per share (TRY)	**0,780**	**0,726**

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

NOTE 43 - SUPPLEMENTARY OF CASH FLOW INFORMATION

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

	2005	2004
Changes in reserves and provisions		
Deferred taxation	(21.019)	5.467
Warranty provision	(18.735)	28.555
Assembly provision and transportation expenses provision	(6.411)	14.002
Provision for employment termination benefit	4.347	323
Provision for redundancy	(547)	(14.595)
Accrual for bonuses and premiums	3.391	(1.851)
Accrual for marketing and sales expenses	5.026	1.525
	(33.948)	**33.426**
Changes in operating assets and liabilities		
Marketable securities	7.643	(8.599)
Trade receivables and due from related parties	(325.072)	(235.448)
Inventories	107.570	(252.746)
Financial assets	(38.406)	4.480
Other current assets and liabilities	36.275	75.466
Other non-current assets and liabilities	9.786	835
Trade payables and due to related parties	(18.299)	226.492
	(220.503)	**(189.520)**

NOTE 44 - DISCLOSURE OF OTHER MATTERS

None.

NOTE 45 - DATE OF AUTHORISATION FOR ISSUE

The consolidated financial statements as at and for the year ended 31 December 2005 have been approved for issue by the Board of Directors on 3 March 2006 and signed by Fatih Kemal Ebiçlioğlu, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director.

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