ARÇELİK ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006 TOGETHER WITH AUDITOR'S REPORT

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2006

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ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER

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

	Notes	2006	*Restated* 2005
ASSETS			
Current assets			
Cash and cash equivalents	4	288.796	293.520
Marketable securities (net)	5	-	-
Trade receivables (net)	7	2.287.127	1.884.846
Lease receivables (net)	8	-	-
Due from related parties (net)	9	234.444	255.352
Other receivables (net)	10	-	-
Biological assets (net)	11	-	-
Inventories (net)	12	1.275.026	965.326
Construction contract receivables (net)	13	-	-
Deferred tax assets	14	-	-
Other current assets	15	113.264	62.623
Total current assets		**4.198.657**	**3.461.667**
Non-current assets			
Trade receivables (net)	7	13.693	19.584
Lease receivables (net)	8	-	-
Due from related parties (net)	9	36.144	-
Other receivables (net)	10	-	-
Financial assets (net)	16	816.084	652.940
Goodwill/negative goodwill (net)	17	1.788	3.264
Investment properties (net)	18	2.786	2.418
Property, plant and equipment (net)	19	1.115.169	930.582
Intangible assets (net)	20	126.881	43.843
Deferred tax assets	14	58.437	22.987
Other non-current assets	15	-	-
Total non-current assets		**2.170.982**	**1.675.618**
Total assets		**6.369.639**	**5.137.285**

The consolidated financial statements as at and for the year ended 31 December 2006 have been approved for issue by the Board of Directors on 15 March 2007 and signed on its behalf by Fatih Kemal Ebiçlioğlu, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director.

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	2006	*Restated* 2005
LIABILITIES			
Current liabilities			
Short-term bank borrowings	6	962.858	193.930
Current maturities of long-term bank borrowings	6	306.269	213.963
Lease payables (net)	8	161	208
Other financial liabilities (net)	10	83.647	82.148
Trade payables (net)	7	812.300	693.010
Due to related parties (net)	9	423.746	387.816
Advances received	21	54.722	195.429
Construction contracts progress billings (net)	13	-	-
Provisions	23	2.266	4.894
Deferred tax liabilities	14	-	-
Other current liabilities (net)	15	301.048	230.568
Total current liabilities		**2.947.017**	**2.001.966**
Non-current liabilities			
Long-term bank borrowings (net)	6	1.047.735	841.674
Lease payables (net)	8	91	140
Other financial liabilities (net)	10	10.867	10.676
Trade payables (net)	7	36.144	-
Due to related parties (net)	9	-	-
Advances received	21	-	-
Provisions	23	52.852	47.947
Deferred tax liabilities	14	34.666	31.126
Other non-current liabilities (net)	15	103.730	68.119
Total non-current liabilities		**1.286.085**	**999.682**
Total liabilities		**4.233.102**	**3.001.648**
MINORITY INTEREST	**24**	**32.890**	**81.746**
SHAREHOLDERS' EQUITY			
Share capital	**25**	**399.960**	**399.960**
Treasury shares	**25**	**-**	**-**
Capital reserves	**26**	**1.079.829**	**1.006.470**
Share premium		-	-
Share cancellation gains		-	-
Revaluation fund		-	-
Financial assets fair value reserve		330.845	257.486
Inflation adjustment to shareholders' equity		748.984	748.984
Profit reserves	**27**	**77.180**	**4.518**
Legal reserves		61.759	31.359
Statutory reserves		-	-
Extraordinary reserves		-	-
Special reserves		-	-
Investment and property sales income to be added to the capital		-	-
Translation reserves		15.421	(26.841)
Net income		**324.147**	**259.913**
Prior years' income	28	**222.531**	**383.030**
Total shareholders' equity		**2.103.647**	**2.053.891**
Total shareholders' equity and liabilities		**6.369.639**	**5.137.285**
Commitments and contingent liabilities	**31**		

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

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	2006	*Restated* 2005
Operating revenue			
Net sales	36	6.958.683	6.245.444
Cost of sales (-)		(5.115.635)	(4.749.370)
Gross operating profit		**1.843.048**	**1.496.074**
Operating expenses (-)	37	(1.349.263)	(1.178.362)
Net operating profit		**493.785**	**317.712**
Other income and gains	38	48.689	38.120
Other expenses and losses	38	(84.935)	(73.301)
Financial income/(expenses), net	39	(117.590)	(2.998)
(Loss)/ income from associates, net	16	22.492	19.385
Income before monetary loss, taxes and minority interests		**362.441**	**298.918**
Monetary loss	40	-	-
Income before tax and minority interest		**362.441**	**298.918**
Minority interest	24	33.491	30.118
Income before tax		**395.932**	**329.036**
Taxes on income	41	(71.785)	(69.123)
Net income		**324.147**	**259.913**
Earnings per share (TRY)	42	0,8104	0,6498

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

ARÇELİK ANONİM ŞİRKETİ

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

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

	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 reserves	Prior years' income	Net income	Total	Total Shareholders' equity
Balance at 1 January 2005 – as previously reported	**399.960**	**256.707**	**748.984**	**-**	**-**	**-**	**(14.198)**	**-**	**293.201**	**293.201**	**1.684.654**
Accounting policy change – IAS 39 (*)	-	-	-	12.550	-	-	-	(10.750)	(1.800)	(12.550)	-
Effect of correction in associates (*)	-	-	-	-	-	-	-	(4.295)	(1.194)	(5.489)	(5.489)
Effect of business combination under common control (*)	-	-	-	2.213	-	-	530	139.707	3.519	143.226	145.969
Accounting policy change – IAS 8 (*)	-	(256.707)	-	-	-	-	-	229.121	(8.418)	220.703	(36.004)
Balance at 1 January 2005 – as restated	**399.960**	**-**	**748.984**	**14.763**	**-**	**-**	**(13.668)**	**353.783**	**285.308**	**639.091**	**1.789.130**
Correction of negative goodwill in accordance with IFRS 3 (**)	-	-	-	-	-	-	-	4.475	-	4.475	4.475
Transfers	-	-	-	-	-	-	-	285.308	(285.308)	-	-
Dividends paid	-	-	-	-	31.359	-	-	(260.536)	-	(260.536)	(229.177)
Translation reserves	-	-	-	-	-	-	(13.173)	-	-	-	(13.173)
Financial assets fair value gain (net)	-	-	-	244.871	-	-	-	-	-	-	244.871
Income from sales of financial assets	-	-	-	(2.148)	-	-	-	-	-	-	(2.148)
Net income	-	-	-	-	-	-	-	-	259.913	259.913	259.913
Balance at 31 December 2005	**399.960**	**-**	**748.984**	**257.486**	**31.359**	**-**	**(26.841)**	**383.030**	**259.913**	**642.943**	**2.053.891**
Balance at 1 January 2006											
Transfers	-	-	-	-	-	-	-	259.913	(259.913)	-	-
Dividends paid	-	-	-	-	30.400	-	-	(230.380)	-	(230.380)	(199.980)
Translation reserves	-	-	-	-	-	-	42.262	-	-	-	42.262
Financial assets fair value gain (net)	-	-	-	73.359	-	-	-	-	-	-	73.359
Effect of business combination under common control (*)	-	-	-	-	-	-	-	(190.032)	-	(190.032)	(190.032)
Net income	-	-	-	-	-	-	-	-	324.147	324.147	324.147
Balance at 31 December 2006	**399.960**	**-**	**748.984**	**330.845**	**61.759**	**-**	**15.421**	**222.531**	**324.147**	**546.678**	**2.103.647**

(*) Details of related corrections are disclosed in Note 2.4.
(**) Related explanation is disclosed in Note 17.

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	2006	Restated 2005
Operating activities			
Net Income		**395.932**	**329.036**
Minority interest		(33.491)	(30.118)
Adjustments to reconcile net cash provided from operating activities to income before tax			
Increases and decreases in accruals and provisions	43	122.389	20.521
Depreciation and amortisation	18, 19, 20	156.308	189.409
Interest income	39	(19.395)	(32.631)
Interest expense	39	189.046	92.019
(Loss) / income from associates (net)	16	(22.492)	(19.385)
Net income from sales of property, plant and equipment intangible assets (net)	38	(636)	(421)
Net income / (loss) from sales of financial assets	38	(5.135)	(1.879)
Net cash provided by operating activities before changes in operating assets and liabilities		**782.526**	**546.551**
Changes in operating assets and liabilities (net)	43	(817.130)	(154.839)
Income and corporate taxes paid	41	(123.279)	(83.703)
Net cash used in operating activities		**(157.883)**	**308.009**
Investing activities:			
Cash provided from sale of tangible and intangible assets		9.487	11.850
Acquisition of tangible and intangible assets		(325.784)	(255.504)
Cash outflow from acquisition of subsidiaries		(190.032)	(23)
Cash provided from sale of financial assets		9.495	3.869
Capital increases of financial assets		-	(124.762)
Translation differences (net)		15.446	(5.535)
Net cash used in investing activities		**(481.388)**	**(370.105)**
Financing activities:			
Interest received		19.896	35.846
Interest paid		(182.046)	(89.717)
Dividends paid	9	(209.690)	(231.389)
Dividends received		3.240	-
Increase/(decrease) in held-to-maturity investments (net)		(56.647)	7.643
Increase in bank borrowings		1.059.794	319.304
Net cash provided from financing activities		**634.547**	**41.687**
Net decrease in cash and cash equivalents		**(4.724)**	**(20.409)**
Cash and cash equivalents as of 1 January		**293.520**	**313.929**
Cash and cash equivalents as of 31 December		**288.796**	**293.520**

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

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

NOTE 1 – ORGANISATION AND PRINCIPAL ACTIVITIES

Arçelik Anonim Şirketi (a Turkish corporation - "Arçelik" or "the Company") and its subsidiaries, joint ventures and associates (collectively, "the Group") undertake all commercial and industrial activities in respect of the production, sales and marketing, customer services after sales, exportation and importation of consumer durable goods and consumer electronics. The Group operates eleven manufacturing plants in Turkey, Romania and Russia. 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 Sütlüce, 34445 Istanbul, Turkey.

The Company is registered with the Capital Markets Board ("CMB") and its shares have been quoted on the Istanbul Stock Exchange ("ISE") since 1986. At 31 December 2006 the shares quoted on the Istanbul Stock Exchange are approximately 21,29% of the total shares. At 31 December 2006, 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 average number of employees of the Group is 16,701 (31 December 2005: 14.881).

The Company's subsidiaries ("Subsidiaries"), joint ventures ("Joint Ventures") and investments in associated undertakings ("Associates") are explained as follows.

NOTE 1 – ORGANISATION AND PRINCIPAL ACTIVITIES (Continued)

Subsidiaries	Country of incorporation	Core Business	Nature of business
Arcelitalia SRL ("Arcelitalia")	Italy	Sales	Consumer durables/Electronics
Archin Limited ("Archin")	Hong Kong, China	Sales	Consumer durables/Electronics
ArcticPro SRL ("ArcticPro")	Romania	Service	Consumer durables
Arctic Service ("Arctic Service")	Romania	Service	Consumer durables
Ardutch B.V. ("Ardutch")	the Netherlands	Investment	Holding
Bekodutch B.V. ("Bekodutch")	the Netherlands	Investment	Holding
Beko Cesko ("Beko Cesko")	Czech Republic	Sales	Consumer durables/Electronics
Beko Deutschland GmbH ("Beko Deutschland")	Germany	Sales	Consumer durables/Electronics
Beko Electronics España S.L. ("Beko Espana")	Spain	Sales	Consumer durables/Electronics
Beko Electronik Llc ("Beko Electronic Russia")	Russia	Production/Sales	Electronics
Beko Elektronik A.Ş. ("Beko Elektronik")	Turkey	Production/Sales	Electronics
Beko France S.A. (Beko France")	France	Sales	Consumer durables/Electronics
Beko Llc. ("Beko Russia")	Russia	Production/Sales	Consumer durables/Electronics
Beko Magyarország K.F.T. ("Beko Magyarorszag")	Hungary	Sales	Consumer durables/Electronics
Beko Plc. ("Beko UK")	the U.K.	Sales	Consumer durables/Electronics
Beko Slovakia S.R.O. ("Beko Slovakia")	Slovakia	Sales	Consumer durables/Electronics
Beko S.A. ("Beko Polska")	Poland	Sales	Consumer durables/Electronics
Beko S.A. Czech Republic ("Beko Czech")	Czech Republic	Sales	Consumer durables/Electronics
Beko S.A. Hungary ("Beko Hungary")	Hungary	Sales	Consumer durables/Electronics
Beko Shanghai Trading Company Ltd. ("Beko Shanghai")	China	Sales	Consumer durables/Electronics
Blomberg Vertriebsgesellschaft GmbH ("Blomberg Vertrieb") (*)	Germany	Sales	Consumer durables/Electronics
Blomberg Werke GmbH ("Blomberg Werke") (*)	Germany	Production	Consumer durables/Electronics
Elektra Bregenz ("Elektra Bregenz")	Austria	Sales	Consumer durables/Electronics
Fusion Digital Technology Ltd. ("Fusion Digital") (*)	the U.K.	Technology	Electronics
Izocam Llc ("Izocam Russia")	Russia	Production	Consumer durables
Izodutch B.V. ("Izodutch")	the Netherlands	Investment	Holding
Raupach Wollert GmbH ("Raupach")	Germany	Investment	Holding
SC Arctic SA ("Arctic")	Romania	Production/Sales	Consumer durables/Electronics
Sherbrook International Limited ("Sherbrook") (**)	the U.K.	Sales	Automotive components

(*) Liquidation in process.
(**) Disposed in 2006.

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

Related companies are jointly controlled by Beko Elektronik A.Ş., the Subsidiary of the Group, and Alba Plc, the joint venture partner, which is incorporated in the U.K.

Associates	Country of incorporation	Core Business	Nature of business
Arçelik-LG Klima Sanayi ve Ticaret A.Ş. ("Arçelik-LG")	Turkey	Production/Sales	Consumer durables
Koç Tüketici Finansmanı K.H.A.Ş. ("Koç Tüketici Finans")	Turkey	Finance	Consumer finance
Ram Dış Ticaret A.Ş. ("Ram Dış Ticaret")	Turkey	Sales	Foreign trade
Ram Pacific Ltd. ("Ram Pacific")	Hong Kong, China	Sales	Foreign trade
Tanı Pazarlama İ.H.A.Ş. ("Tanı Pazarlama")	Turkey	Consultancy	Marketing and communication

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 was stated that applying the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") is accepted as an alternative to conform to the CMB Accounting Standards.

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards. Accordingly, 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. 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 consolidated financial statements 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 statements of foreign Subsidiaries and Joint Ventures

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

2.3 Group accounting

(a) The consolidated financial statements include the accounts of the parent company, Arçelik, and its Subsidiaries, Joint Ventures and Associates on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the consolidation 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 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 using rights, otherwise having the power to exercise control over the financial and operating policies.

The balance sheets and statements of income of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by 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 direct and indirect ownership and economic interests at 31 December:

	2006 %	**2005** %
Arctic	96,69	96,69
Ardutch	100,00	100,00
Bekodutch	100,00	100,00
Beko Cesko (*)	100,00	-
Beko Czech (**)	100,00	100,00
Beko Deutschland	100,00	100,00
Beko Electronic Russia (*)	100,00	-
Beko Elektronik	72,46	72,46
Beko Espana	99,97	99,97
Beko France	99,94	99,94
Beko Hungary (**)	100,00	100,00
Beko Magyarorszag (*)	100,00	-
Beko Polska	100,00	100,00
Beko Russia	100,00	100,00
Beko Slovakia (*)	100,00	-
Beko UK	50,00	50,00
Blomberg Vertrieb	100,00	100,00
Blomberg Werke	100,00	100,00
Elektra Bregenz	100,00	100,00
Fusion Digital	100,00	95,00
Izodutch	100,00	-
Raupach	100,00	100,00
Sherbrook (***)	-	55,00

(*) Incorporated in 2006.
(**) Included in the scope of consolidation in 2006.
(***) Sold in 2006 and disposed from the scope of consolidation from the date that the control ceased.

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

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

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

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

The table below sets out all Joint Ventures included in the scope of consolidation and shows their direct and indirect ownership and economic interests at 31 December:

	2006 %	**2005** %
Grundig	50,00	50,00
Grundig Australia	50,00	50,00
Grundig Austria	50,00	50,00
Grundig Benelux	50,00	50,00
Grundig Denmark	50,00	50,00
Grundig Espana	50,00	50,00
Grundig Finland	50,00	50,00
Grundig France	50,00	50,00
Grundig Intermedia	50,00	50,00
Grundig Italy	50,00	50,00
Grundig Hungary	50,00	50,00
Grundig Norway	50,00	50,00
Grundig Portugal	50,00	50,00
Grundig Polska	50,00	50,00
Grundig Sweden	50,00	50,00
Grundig Switzerland	50,00	50,00

The economic interest of the above Joint Ventures included in the scope of consolidation is 36,18%.

Joint ventures, in which the Group has ownership interests over 50% and which are immaterial, are carried at cost, less any provision for impairment. Joint ventures excluded from the scope of consolidation are disclosed in Note 16

(d) Associates are companies in which the Group has 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 translation reserves are recognised in the statement of shareholders' equity. The Group's interest in the Associates is carried in the consolidated balance sheet at an amount that reflects its share in the net assets of the Associates. Provisions are provided if a long-term impairment in value is identified (Note 16).

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

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

The table below sets out all Associates and shows their direct and indirect ownership and economic interests at 31 December:

	2006 %	**2005** %
Arçelik - LG	45,00	45,00
Koç Tüketici Finans	47,00	47,00
Ram Dış Ticaret	33,50	33,50
Ram Pacific	25,00	50,00
Tanı Pazarlama	32,00	32,00

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

Available-for-sale investments in which the Group has attributable interests of more than 50%, which are immaterial for the Group's consolidated financial position, operation results and net assets, are excluded from the scope of consolidation.

(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.

2.4 Comparatives and restatement of prior years' financial statements

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

The prior years' consolidated financial statements, due to accounting policies (Note 3.10) and other changes applied in the preparation of the consolidated financial statements as of 31 December 2006, are restated in accordance with the principles of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and other related standards. The effects of related changes to the prior years' income and net income (all together referred as "retained earnings") as of 1 January 2005 are summarised below:

1 January 2005 – as previously reported	**293.201**
Accounting policy change – IAS 39 (a)	(12.550)
Effect of correction in associates (b)	(5.489)
Business combination under common control (c)	143.226
Accounting policy change – IAS 8 (d)	220.703
1 January 2005 – as restated	**639.091**

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

(a) IAS 39 "Financial Instruments: Recognition and Measurement" has been revised effective from the period beginning on or after 1 January 2005. In accordance with the revised standard, fair value gains and losses on available-for-sale financial assets shall be directly recognised in equity except where they are permanent in a negative way, until the financial assets are derecognised. The Group recognised such fair value gains and losses on available-for-sale financial assets in the consolidated statement of income until 31 December 2004. As a result of the revision in IAS 39, the Group applied the accounting policy change retrospectively, and adjusted all related comparative financial information. As a result of this correction, previously reported retained earnings as of 1 January 2005 have decreased and financial assets fair value reserves have increased by TRY 12.550.

(b) The Group's share of the corrections due to accounting policy changes in the financial statements of Koç Tüketici Finans, an Associate of the Group, is recognised in the consolidated financial statements. As a result of this correction, previously reported financial assets and retained earnings as of 1 January 2005 have decreased by TRY 5.489.

(c) The Group accounted for the business combination, which is explained in Note 32 in detail and is related to the acquisition of shares of Beko Elektronik, a subsidiary of the Group, in accordance with the accounting policy stated in Note 3.10 with the conclusion that the aforementioned policy reflects the economic substance of the transaction reliably and more relevant. In accordance with the related accounting policy, comparative consolidated financial statements have been restated considering the total amount of assets acquired and liabilities assumed, with the necessary consolidation adjustments as of the earliest reporting period (retrospectively). Furthermore, as a result of the related accounting, previously reported financial assets fair value reserve, translation reserves and retained earnings as of 1 January 2005 have increased by TRY 2.213, TRY 530 and TRY 143.226, respectively.

(d) Similar business combinations under common control those were reported in the previous periods are restated in accordance with the accounting policies explained in Note 3.10. Consequently, the previously reported share premium and goodwill concerning these transactions as of 1 January 2005 have decreased by TRY 256.707 and TRY 36.004, respectively and retained earnings have increased by TRY 220.703.

(e) The Group recognises sales and purchases related to its Subsidiaries and Joint Ventures made through Ram Dış Ticaret as intra-group transactions; thus these transactions are eliminated in the consolidated financial statements. Related transactions which occurred in 2005 are similarly eliminated for consistency with the current year financial statements and as a result of the mentioned elimination, consolidated export sales and the related cost of sales for the year ending 31 December 2005 have decreased by TRY 487.426.

2.5 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.

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

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

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

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

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income (Note 7).

3.3 Credit finance income/charges

Credit finance income/charges represent imputed finance income/charges on credit sales and purchases. Such income/charges 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 the statement of the cash flows (Note 5).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the 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 a designation on a regular basis. The unrealised gains and losses arising from changes in the fair value of available-for-sale securities are deferred in the equity under "financial assets fair value reserve" until the financial asset is sold, collected or otherwise disposed of. When available-for-sale securities are sold, collected or otherwise disposed of, related deferred gains and losses in equity are released to the income statement (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%, which 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.

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 since their indefinite useful life.

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group has reviewed the useful lives of property plant and equipment and has redetermined such useful lives effective from 1 January 2005 as follows (Note 44.b):

	New useful life	Previous useful life
Land and land improvements	25	25
Buildings	30-50	25-50
Machinery and equipment	11-25	6-10
Vehicles	4-8	4-6
Moulds	4-7	4-10

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

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

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

3.8 Intangible assets

Intangible assets comprise of 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 15 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).

3.9 Investment property

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

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Business combinations and goodwill

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

The cost of a business combination is allocated by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination cost is accounted for as goodwill.

Goodwill recognised in business combinations is tested for impairment annually (as of 31 December) or more frequently if events or changes in circumstances indicate impairment, instead of amortisation (Note 17).

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

Previously recognised goodwill and negative goodwill had been amortised over their estimated useful lives using the straight-line method in the 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).

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

3.11 Finance leases

(1) The Group as the lessee

Finance leases

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the consolidated 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.

3.12 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).

3.13 Deferred income taxes

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date (Note 14).

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

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

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Accounting for derivative financial instruments and embedded derivatives

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

Held-for-trading derivative financial instruments are initially recognised in the consolidated financial statements at cost and are subsequently remeasured at their fair value. Changes in the fair values of held-for-trading derivative financial instruments are included in the consolidated statements of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative (Note 15).

3.15 Employment termination benefits

The provision for employment termination benefits, as required by Turkish Labour Law, is recognised in these financial statements as the benefits are earned. The total provision represents the present value of future probable obligation of the Group arising from the retirement of its employees regarding the actuarial projections (Note 23).

3.16 Foreign currency transactions

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

3.17 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 and excluding sales taxes. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised as interest income in the period on an accrual basis as financial income.

3.18 Interest income

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 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 consolidated statement of income as they are incurred.

3.20 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).

3.21 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).

3.22 Investment, research and development incentives

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

3.23 Share premium

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

3.24 Financial instruments and financial risk management

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management 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 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.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Credit risk

Ownership of financial assets involves the risk that counter parties may be unable to meet the terms of their agreements. The 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 adequate collateral 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:

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 carrying values.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Monetary liabilities

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

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.

3.25 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.

3.26 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 are disclosed as contingent assets or liabilities (Note 31).

3.27 Earnings per share

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

No bonus shares have been issued during the period.

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.28 Reporting of cash flows

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash and cash equivalents with maturity periods of less than three months.

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

	2006	2005
Cash and cash equivalents - maturities of less than 3 months (Note 4)	288.796	293.520
	288.796	**293.520**

NOTE 4 - CASH AND CASH EQUIVALENTS

	2006	2005
Cash in hand	160	185
Cash at banks		
- demand deposits	80.703	66.469
- time deposits	132.073	171.978
Cheques and notes	72.675	52.086
Other	3.185	2.802
	288.796	**293.520**

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

	2006	2005
Up to 30 days	286.864	265.010
30 – 90 days	1.932	28.510
	288.796	**293.520**

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

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

As of 31 December, effective interest rates (%) of time deposits are as follows:

	2006	2005
TRY time deposits	-	14,86
EUR time deposits	3,24	3,32
USD time deposits	4,87	4,43
GBP time deposits	-	4,43
Other foreign currency time deposits	4,49	4,25

NOTE 5 - MARKETABLE SECURITIES

There are no short-term marketable securities at balance sheet date (31 December 2005: None).

NOTE 6 - BORROWINGS

(a) Short-term bank borrowings

	2006	2005
TRY loans	834.654	2.466
Foreign currency loans	107.453	91.566
Eximbank loans	20.751	32.682
Letters of credit	-	67.216
	962.858	**193.930**

Interest rates for short-term TRY loans for the year ended 31 December 2006 range from 14,00% to 20,40% (31 December 2005: 12,00-13,00%). The interest rate for short-term foreign currency loans for the year ended 31 December 2006 range from 4,15% to 6,90% (31 December 2005: 2,00-6,00%).

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

NOTE 6 – BORROWINGS (Continued)

(b) Long-term bank borrowings

As of 31 December 2006, long-term bank borrowings are as follows:

Currency	Interest rate per annum (%)	Original foreign currency	Balance outstanding TRY
USD	Libor+0,80-3,50 and 8%	200.528.057	281.862
GBP	Libor+0,65-1,38	49.351.213	136.056
EUR	Euro Libor+0,75-3,20	293.416.595	543.261
TRY	19,70%-21,16%	343.499.096	343.499
RUB	7,01%-7,04%	523.407.788	28.180
RON	%7,10	38.621.489	21.146
			1.354.004
Less: Current maturities			(306.269)
			1.047.735

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 ve %8	126.887.961	170.258
GBP	Libor+1,38-3,75	34.279.659	79.258
EUR	Euribor+1,85-3,25	376.852.766	598.255
TRY	%14,45-%16,75	207.865.641	207.866
			1.055.637
Less: Current maturities			(213.963)
			841.674

The Group has syndication loans from the International Finance Corporation ("IFC") in the amount of EUR193.255.339 and from the Netherlands Development Finance Company ("FMO") in the amount of EUR13.333.333 as of 31 December 2006. 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.

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

NOTE 6 – BORROWINGS (Continued)

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

	2006	2005
2007	-	343.086
2008	658.215	271.856
2009	203.348	105.525
2010	84.666	73.072
2011	60.086	34.038
2012 and over	41.420	14.097
	1.047.735	**841.674**

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables	**2006**	**2005**
Trade receivables	940.818	700.726
Notes receivables	1.305.421	1.081.214
Cheques receivables	159.793	187.873
Doubtful receivables	76.469	39.284
	2.482.501	**2.009.097**
Less: Provision for doubtful receivables	(69.122)	(32.445)
Less: Unearned credit income	(126.252)	(91.806)
	2.287.127	**1.884.846**

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

	2006	2005
Balance at the beginning of the year	**32.445**	**16.461**
Current year additions (Note 38)	38.094	23.660
Recoveries of doubtful receivables	(1.417)	(7.676)
Balance at the end of the year	**69.122**	**32.445**

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

	2006	2005
Long-term trade receivables		
Trade receivables	12.463	17.991
Deposits and guarantees given	1.230	1.593
	13.693	**19.584**
Short-term trade payables		
Trade payables	820.126	697.062
Deposits and guarantees received	1.615	1.687
Unearned credit finance charges	(9.441)	(5.739)
	812.300	**693.010**
Long-term trade payables		
Trade payables	36.144	-
	36.144	**-**

NOTE 8 - LEASE RECEIVABLES AND PAYABLES

(a) Finance lease receivables

There are no finance lease receivables at balance sheet date (31 December 2005: None).

(b) Finance lease payables

Finance lease payables amounts to TRY252 as of 31 December 2006 (31 December 2005: TRY348).

(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

	2006	2005
Short-term		
Ram Dış Ticaret A.Ş.	183.416	165.087
Akpa Dayanıklı Tüketim Mal.San.Tic.Ltd.Şti.	26.138	19.014
Türk Demir Döküm Fabrikaları A.Ş.	16.683	16.829
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	5.418	3.615
Koç Sistem Bilgi ve İletişim A.Ş.	-	13.871
Other	10.562	45.638
	242.217	**264.054**
Due from personnel	633	356
Less: Unearned credit finance charged to related parties	(8.406)	(9.058)
	234.444	**255.352**

	2006	2005
Long-term		
Ram Dış Ticaret A.Ş.	36.144	-
	36.144	**-**

(b) Due to related parties

	2006	2005
Ram Dış Ticaret A.Ş.	120.843	79.653
Beko Ticaret A.Ş.	105.380	14.607
Ram Pacific Ltd.	86.370	89.367
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	74.102	82.558
Koç Faktoring Hizmetleri A.Ş.	21.035	23.536
Türk Demir Döküm Fabrikaları A.Ş.	7.764	6.269
Döktaş A.Ş.(*)	-	10.877
Kofisa SA (*)	-	52.039
Other	17.395	35.262
	432.889	**394.168**
Due to personnel	22.461	17.747
Less: Unearned credit finance income from related parties	(31.604)	(24.099)
	423.746	**387.816**

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

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

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

(c) Deposits

	2006	2005
Yapı ve Kredi Bankası A.Ş.		
- time deposits	25.703	61.803
- demand deposits	5.999	1.692
	31.702	**63.495**

(d) Loans

Yapı ve Kredi Bankası A.Ş.		
- TRY loans	-	10
- Foreign currency loans	1.852	15.385
	1.852	**15.395**

e) Derivative Instruments

	Contract amount	Fair Values assets/(liabilities)	
2006			
Yapı ve Kredi Bankası A.Ş.	35.623	-	(952)
	35.623	**-**	**(952)**
2005			
Yapı ve Kredi Bankası A.Ş.	(56.460)	1.536	(3.141)
	(56.460)	**1.536**	**(3.141)**

(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

	2006	2005
Ram Dış Ticaret A.Ş.	237.683	294.648
Akpa Dayanıklı Tüketim	89.241	68.558
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	29.918	-
Kofisa SA (*)	7.552	27.631
Koç Sistem Bilgi ve İletişim A.Ş.	-	27.307
Other	28.963	53.421
	393.357	**459.579**

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

(b) Purchases

	2006	2005
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	264.305	206.241
Kofisa S.A. (*)	254.407	169.661
Ram Pacific Ltd.	199.435	125.864
Beko Ticaret A.Ş.	142.032	74.101
Döktaş A.Ş. (*)	63.962	53.373
Türk Demir Döküm Fabrikaları A.Ş.	58.522	54.090
Ram Dış Ticaret A.Ş.	41.316	43.935
İzocam Ticaret ve Sanayi A.Ş. (*)	25.325	12.391
Ram Sigorta Aracılık Hizmetleri A.Ş.	17.693	19.679
Palmira Turizm Ticaret A.Ş.	12.105	12.486
Setur Servis Turistik A.Ş.	5.906	3.681
Other	78.768	72.752
	1.163.776	**836.268**
Less: Credit finance charges by related parties (Note 39)	(17.514)	(19.387)
	1.146.262	**816.881**

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

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

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

(c) Other transactions

	2006	2005
Dividends paid	209.690	231.389
Technical service assistance income	4.863	2.726
Interest income	3.391	13.873
Other income	2.323	3.179

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

	2006	2005
Other short-term financial liabilities		
Taxes and duties payable	71.310	69.851
Rescheduled taxes payable	12.337	12.297
	83.647	**82.148**
Other long-term financial liabilities		
Rescheduled taxes payable	10.867	10.676
	10.867	**10.676**

NOTE 11 - BIOLOGICAL ASSETS

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

NOTE 12 - INVENTORIES

	2006	2005
Raw materials and supplies	448.756	341.338
Semi-finished goods	40.095	29.073
Finished goods	217.672	169.617
Merchandise	237.668	218.816
Goods-in-transit	373.086	240.422
	1.317.277	**999.266**
Less: Provision for slow-moving and obsolete inventories	(42.251)	(33.940)
	1.275.026	**965.326**

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

NOTE 12 – INVENTORIES (Continued)

The provision for slow-moving and obsolete inventories in terms of inventory type is as follows:

	2006	2005
Raw materials and supplies	19.233	13.834
Finished goods	11.406	7.931
Merchandise	11.612	10.310
Goods-in-transit	-	1.865
	42.251	**33.940**

Movements in the provision for slow-moving and obsolete inventories are as follows:

	2006	2005
Balance at the beginning of the year	**33.940**	**5.475**
Current year additions (Note 38)	27.130	28.627
Realised due to sale of inventory	(18.819)	(162)
Balance at the end of the year	**42.251**	**33.940**

NOTE 13 - CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLINGS

The Group has no construction contract receivables or progress billings.

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

	2006	2005
Deferred tax assets	58.437	22.987
Deferred tax liabilities	(34.666)	(31.126)
Deferred tax assets/ (liabilities) net	**23.771**	**(8.139)**

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.

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

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

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES (Continued)

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

	Cumulative temporary differences		**Deferred tax assets/(liabilities)**	
	2006	**2005**	**2006**	**2005**
Property, plant and equipment and intangible assets	376.469	318.053	(74.290)	(95.416)
Available-for-sale investments	348.256	-	(17.411)	-
Portion of allowance for unearned credit finance income and expense that is currently non-tax deductible/taxable	853	(8.593)	(437)	2.578
Provision for warranties and assembly	(235.279)	(145.327)	47.038	42.738
Unused tax credits	(180.904)	(37.222)	36.466	10.600
Provision for employment termination benefits	(51.398)	(46.672)	10.258	14.001
Provision for doubtful receivables	(43.255)	(15.914)	8.651	4.774
Provision for slow-moving and obsolete inventories	(27.610)	(21.758)	5.522	6.526
Accrual for export sales expenses	(5.439)	(15.527)	1.088	4.658
Other	(27.806)	(7.558)	6.886	1.402
Deferred tax assets/(liabilities)-net			**23.771**	**(8.139)**

	2006	**2005**
Balance at the beginning of the year	**(8.139)**	**(56.053)**
Charged to income statement	48.866	47.844
Charged to shareholders' equity	(17.411)	-
Translation differences	455	70
Balance at the end of the year	**23.771**	**(8.139)**

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

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

Other current assets

	2006	2005
VAT* and PCT* receivables	75.499	27.453
Taxes and funds deductible	24.728	20.288
Prepaid expenses	6.448	7.718
Assets held for sale	1.317	3.175
Other	5.272	3.989
	113.264	**62.623**

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

Other current liabilities

	2006	2005
Warranty provision	145.070	101.534
Assembly provision	41.976	22.782
Accrual for export sales expenses	26.424	24.849
Accrual for sales and marketing expenses	18.284	12.995
Accrual for transportation expenses	13.858	8.319
Accrual for customer premiums	6.813	-
Deferred income	3.925	14.220
Accrual for bonuses and premiums	3.244	3.112
Other	41.454	42.757
	301.048	**230.568**

Other non-current liabilities

	2006	2005
Warranty provision	101.122	64.141
Deferred income	1.514	2.155
Other	1094	1.823
	103.730	**68.119**

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

NOTE 16 - FINANCIAL ASSETS

	2006	**2005**
Available-for-sale investments	595.724	511.437
Held-to-maturity investments	112.449	55.802
Investments in associated companies	102.872	84.998
Financial assets excluded from the scope of consolidation	5.039	703
	816.084	**652.940**

i. Available-for-sale investments:

	%	**2006 TRY**	**%**	**2005 TRY**
Koç Finansal Hizmetler A.Ş.	7,66	581.341	7,66	493.631
Entek Elektrik A.Ş.	6,86	12.340	6,86	15.782
Ultra Kablolu	7,50	1.901	7,50	1.901
Tat Konserve Sanayii A.Ş.	0,34	78	0,34	71
Basic International Investment Ltd. (*)	-	-	20,00	-
Other		64		52
		595.724		**511.437**

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

Balance at the beginning of the year	**511.437**	**141.161**
Fair value gains / losses (net)	84.275	251.343
Purchase / sale of financial assets (net)	12	(5.443)
Capital increases	-	124.762
Impairment loss provisions	-	(386)
Balance at the end of the year	**595.724**	**511.437**

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 TRY348.256 net off deferred tax effect amounting to TRY 17.411 are recognised in consolidated shareholders' equity under the "financial assets fair value reserve" at 31 December 2006 (31 December 2005: TRY257.486).

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

NOTE 16 - FINANCIAL ASSETS (Continued)

ii. Held-to-maturity investments:

	2006	2005
Time deposits (USD)	112.449	39.025
Eurobonds (USD)	-	16.777
	112.449	**55.802**

Interest rate of time deposits at 31 December 2006 ranges from 7,25% to 7,75% (31 December 2005: 8,00%). There are no Eurobonds at 31 December 2006 (31 December 2005: 9,88%).

iii. Investments in associated companies

	%	2006 TRY	%	2005 TRY
Koç Tüketici Finansmanı ve Kart Hizmetleri A.Ş.	47,00	48.801	47,00	37.948
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	45,00	44.653	45,00	38.964
Ram Dış Ticaret A.Ş.	33,50	3.996	33,50	2.333
Ram Pacific Ltd.	25,00	3.256	50,00	2.742
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	32,00	2.166	32,00	3.011
		102.872		**84.998**

	2006	2005
Balance at the beginning of the year	**84.998**	**65.310**
Income / (loss) from investments in associated companies (net)	22.492	19.385
Sales of shares in associates	(1.371)	-
Dividends received from associates	(3.240)	-
Translation differences	(7)	303
Balance at the end of the year	**102.872**	**84.998**

	2006	2005
Income/ Loss from investments in associated companies		
Koç Tüketici Finansmanı ve Kart Hizmetleri A.Ş.	10.853	11.252
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	8.929	7.165
Ram Dış Ticaret A.Ş.	1.663	366
Ram Pacific Ltd.	1.892	644
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	(845)	(42)
	22.492	**19.385**

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

NOTE 16 - FINANCIAL ASSETS (Continued)

iv. Financial assets excluded from the scope of consolidation

	%	2006 TRY	%	2005 TRY
Subsidiaries				
Beko Shanghai Trading Company Ltd.	100,00	2.626	-	-
Izocam Llc	100,00	2.215	-	-
Arcelitalia SRL	100,00	191	100,00	191
ArticPro SRL	99,00	1	99,00	1
Archin Limited	99,99	-	99,99	-
Arctic Service	100,00	-	100,00	-
Beko Hungary (*)	-	-	100,00	410
Beko Czech (*)	-	-	100,00	95
Joint ventures				
Grundig Intermedia Trgovina, d.o.o., Ljubljana	50,00	6	50,00	6
		5.039		**703**

(*) Included in the scope of consolidation as of 1 January 2006.

NOTE 17 - GOODWILL/NEGATIVE GOODWILL

	1 January 2006	Additions	Disposals	Translation differences	31 December 2006
Goodwill	4.229	-	(2.605)	420	2.044
Accumulated amortisation	(965)	-	846	(137)	(256)
Net carrying value	**3.264**				**1.788**

Goodwill with a net carrying value of TRY1.759 resulting from acquisition of Sherbrook has been derecognised from the financial statement due to sale of related shares.

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

NOTE 17 - GOODWILL/NEGATIVE GOODWILL (Continued)

	1 January 2005	Additions	Disposals	Translation differences	31 December 2005
Goodwill	4.479	-	-	(250)	4.229
Accumulated amortisation	(1.046)	-	-	81	(965)
Net carrying value	**3.433**				**3.264**

	1 January 2005	Additions	Disposals	Translation differences	31 December 2005
Negative goodwill	(7.783)	-	7.783	-	-
Accumulated amortisation	3.308	-	(3.308)	-	-
Net carrying value	**(4.475)**				**-**

Previously recognised negative goodwill with a net carrying value of TRY4.475 as of 1 January 2005 resulting from the acquisition of Bloomberg 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 3.10).

NOTE 18 – INVESTMENT PROPERTY

	1 January 2006	Additions	Disposals	Translation differences	31 December 2006
Cost	3.460	17	-	575	4.052
Accumulated depreciation	(1.042)	(50)	-	(174)	(1.266)
Net carrying value	**2.418**				**2.786**

	1 January 2005	Additions	Disposals	Translation differences	31 December 2005
Cost	3.980	-	-	(520)	3.460
Accumulated depreciation	(1.115)	(73)	-	146	(1.042)
Net carrying value	**2.865**				**2.418**

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

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2006	Additions	Disposals	(*) Transfers	Translation differences	31 December 2006
Cost						
Land	13.813	2.273	(707)	(696)	636	15.319
Land improvement	31.454	1.313	(248)	-	95	32.614
Buildings	346.955	12.075	(5.703)	94.876	8.647	456.850
Machinery and equipment	2.097.871	206.132	(48.367)	25.228	24.137	2.305.001
Motor vehicles, furniture and fixtures	193.807	15.006	(18.570)	4.793	9.349	204.385
Leasehold improvements	32.978	580	(7)	-	280	33.831
Construction in progress	46.156	78.378	-	(120.828)	6.329	10.035
Advances given	4.584	6.275	-	(5.208)	703	6.354
	2.767.618	**322.032**	**(73.602)**	**(1.835)**	**50.176**	**3.064.389**
Accumulated Depreciation						
Land improvement	(11.332)	(1.483)	117	-	(7)	(12.705)
Buildings	(125.987)	(9.008)	1.508	-	(3.549)	(137.036)
Machinery and equipment	(1.537.285)	(119.647)	43.627	370	(13.768)	(1.626.703)
Motor vehicles, furniture and fixtures	(152.272)	(14.954)	17.496	148	(7.428)	(157.010)
Leasehold improvements	(10.160)	(5.543)	7	-	(70)	(15.766)
	(1.837.036)	**(150.635)**	**62.755**	**518**	**(24.822)**	**(1.949.220)**
Net carrying value	**930.582**					**1.115.169**

(*) Property, plant and equipment received as guarantees and classified as Land and Buildings with a net carrying value of TRY1.317 have been transferred to other current assets from property, plant and equipment.

At 31 December 2006, there are mortgages amounting to TRY 93.851 on property, plant and equipment (31 December 2005: TRY 96.343)

The decrease in the property, plant and equipment due to the sale of Sherbrook with a net carrying value of TRY 2.632 is presented in disposals.

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

NOTE 20 - INTANGIBLE ASSETS

	1 January 2006	Additions	Disposals	Transfers	Translation differences	31 December 2006
Cost						
Rights	67.771	83.818	(865)	868	5.269	156.861
Other intangible assets	21.136	956	(1.676)	518	263	21.197
	88.907	**84.774**	**(2.541)**	**1.386**	**5.532**	**178.058**
Accumulated Amortisation						
Rights	(31.905)	(3.569)	698	(868)	(826)	(36.470)
Other intangible assets	(13.159)	(2.054)	1.203	(518)	(179)	(14.707)
	(45.064)	**(5.623)**	**1.901**	**(1.386)**	**(1.005)**	**(51.177)**
Net carrying value	**43.843**					**126.881**

Starting from January 2001, the contract regarding to the right to use Beko Brand and undertaking the marketing, sales and distribution activities of Beko brand products for the following 20 years, was signed between the Company and Beko Ticaret A.Ş. At the end of the contract period, the rights to use Beko brand will be transferred to the Company. According to the clauses of the contract, payments to be made to Beko Ticaret A.S. may be mutually revised in every five years to an amount that would not exceed the original amount determined in the contract. After the negotiations for determining the new amount for the second five-year period that started in 2006, the new amount has not changed significantly compared to the original amount. Following the cost of right to use Beko brand has become reliably measurable, the present value of cash flows considering similar changes in future periods has been recognised in the consolidated financial statements at 31 December 2006.

NOTE 21 - ADVANCES RECEIVED

	2006	2005
Order advances received	54.378	195.148
Other advances received	344	281
	54.722	**195.429**

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

NOTE 22 - RETIREMENT PLANS

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

NOTE 23 - PROVISIONS

a) Short-term provisions

	2006	**2005**
Tax provision (Note 41)	2.266	4.894

b) Long-term provisions

	2006	**2005**
Provision for employment termination benefits	52.852	47.947

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

Under the Turkish Legislations, the Company and its Turkish subsidiaries and associates are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men). 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 TRY1,85744 (31 December 2005: TRY1,72715) for each period of service at 31 December 2006.

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

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

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:

	2006	**2005**
Discount rate (%)	5,71	5,49
Turnover rate to estimate the probability of retirement (%)	99	99

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

NOTE 23 – PROVISIONS (Continued)

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

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

	2006	2005
Balance at the beginning of the year	47.947	44.616
Increase during the year	24.812	14.537
Payments during the year	(20.863)	(11.061)
Disposal of subsidiary (Artesis)	-	(67)
Translation differences	956	(78)
Balance at the end of the year	**52.852**	**47.947**

NOTE 24 - MINORITY INTEREST

Changes in minority interest during the year are as follows:

	2006	2005
Balance at the beginning of the year	**81.746**	**110.717**
Dividend payments	(9.710)	(2.213)
Disposal of subsidiary (Sherbrook/Artesis)	(3.010)	(547)
Acquisition of shares of subsidiaries (Fusion Digital)	-	(1.579)
Effect of change in economic interests	769	1.964
Financial assets fair value gain (net)	(6.494)	6.470
Sales of financial assets	-	(817)
Translation differences	3.080	(2.131)
Net income / (loss) (net)	(33.491)	(30.118)
Balance at the end of year	**32.890**	**81.746**

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

NOTE 25 - SHARE CAPITAL/ADJUSTMENT TO SHARE CAPITAL

The Company is subject to the registered share capital system in accordance with the CMB regulations.

The Company's registered and authorised and paid-in share capital not adjusted for inflation at 31 December are as follows:

	2006	2005
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:

	2006		2005	
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	9,81	39.252
Burla Ticaret ve Yatırım A.Ş.	7,66	30.649	7,66	30.649
Koç Holding Emekli ve Yardım Sandığı Vakfı	4,50	17.982	4,50	17.982
Other	24,21	96.822	24,21	96.822
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**

The shareholder of the Company, Koç Holding, has pledged its shares in the Company with a nominal value of TRY 156.546 as collateral to J.P. Morgan Europe Limited against the loan agreement dated 21 January 2006. The voting and dividend rights relating to these shares have been retained by Koç Holding.

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.

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 the 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.

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

The 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 the general assemblies.

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

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

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

The Company distributed dividends of TRY199.980 from extraordinary reserves and current year tax exemptions income during the year ended at 31 December 2006.

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

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

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

	2006	**2005**
Share capital	399.960	399.960
Inflation adjustment to shareholders' equity	748.984	748.984
Financial assets fair value reserve	330.845	257.486
Translation reserves	15.421	(26.841)
Legal reserves	61.759	31.359
Retained earnings	222.531	383.030
Net income	324.147	259.913
Total shareholders' equity	**2.103.647**	**2.053.891**

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:

	2006	**2005**
Assets	1.826.950	1.460.510
Liabilities	(2.028.754)	(1.776.357)
Off-balance sheet commitments	98.053	162.490
Net foreign currency position	**(103.751)**	**(153.357)**

(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 2006 are as follows:

	EUR	USD	GBP	Other	Total
Current assets:					
Cash and cash equivalents	133.254	19.736	30.852	28.266	212.108
Trade receivables (net)	567.209	100.764	103.807	111.158	882.938
Due from related parties (net)	9.344	71.991	30.123	384	111.842
Other receivables (net)	-	-	-	-	-
Inventories (net)	170.775	62.670	76.728	111.640	421.813
Other current assets	12.948	6	735	32.339	46.028
Non-current assets:					
Due from related parties (net)	36.144	-	-	-	36.144
Financial assets (net)	-	112.448	-	-	112.448
Deferred tax assets	303	-	309	3.017	3.629
Other non-current assets	-	-	-	-	-
Total assets	**929.977**	**367.615**	**242.554**	**286.804**	**1.826.950**
Current liabilities:					
Short-term bank borrowings	28.431	79.022	-	-	107.453
Current maturities of long-term bank borrowings	177.400	44.784	34.051	250	256.485
Lease payables (net)	-	-	141	20	161
Other financial liabilities (net)	1.843	-	9.798	4.644	16.285
Trade payables (net)	222.346	113.032	1.302	25.117	361.797
Due to related parties (net)	108.167	166.789	28.374	4.206	307.536
Advances received	17	-	-	1	18
Provisions	-	-	1.753	513	2.266
Other current liabilities (net)	96.769	6.852	42.780	15.044	161.445
Non-current liabilities:					
Long-term bank borrowings (net)	365.861	237.078	102.005	49.076	754.020
Lease payables (net)	-	-	41	7	48
Trade payables (net)	36.144	-	-	-	36.144
Provisions	1.342	-	112	544	1.998
Deferred tax liabilities	1.361	-	-	3.375	4.736
Other non-current liabilities (net)	6228	-	22	12.112	18.362
Total liabilities	**1.045.909**	**647.557**	**220.379**	**114.909**	**2.028.754**
Net balance sheet position	**(115.932)**	**(279.942)**	**(22.175)**	**(171.895)**	**(201.804)**
Off-balance sheet derivative instruments	**27.773**	**70.280**	**-**	**-**	**98.053**
Net foreign currency position	**(88.159)**	**(209.662)**	**22.175**	**171.895**	**(103.751)**

The net foreign currency position of the Group as of 31 December 2006 is negative TRY103.751 equivalent to EUR56.036.187

(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:

	EUR	USD	GBP	Other	Total
Current assets:					
Cash and cash equivalents	129.686	17.332	40.151	16.066	203.235
Trade receivables (net)	369.039	119.244	72.966	81.152	642.401
Due from related parties (net)	168.117	45.099	25.898	788	239.902
Other receivables (net)	-	-	-	-	-
Inventories (net)	131.587	42.606	70.076	48.749	293.018
Other current assets	16.786	365	39	7.973	25.163
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	**815.994**	**280.448**	**209.130**	**154.938**	**1.460.510**
Current liabilities:					
Short-term bank borrowings	24.843	133.935	4	-	158.782
Current maturities of long-term bank borrowings	107.180	89.358	13.274	-	209.812
Lease payables (net)	-	-	138	70	208
Other financial liabilities (net)	2.205	-	6.244	811	9.260
Trade payables (net)	188.240	114.194	6.532	10.378	319.344
Due to related parties (net)	128.990	58.087	53.115	19.844	260.036
Advances received	-	-	9	1	10
Provisions	4.185	-	551	158	4.894
Other current liabilities (net)	82.349	7.399	45.203	18.459	153.410
Non-current liabilities:					
Long-term bank borrowings (net)	491.075	80.900	65.984	-	637.959
Lease payables (net)	-	-	126	14	140
Other financial liabilities (net)	-	-	-	4.546	4.546
Provisions	6.563	-	-	116	6.679
Deferred tax liabilities	911	-	256	1.123	2.290
Other non-current liabilities (net)	792	-	-	8.195	8.987
Total liabilities	**1.037.333**	**483.873**	**191.436**	**63.715**	**1.776.357**
Net balance sheet position	**(221.339)**	**(203.425)**	**17.694**	**91.223**	**(315.847)**
Off-balance sheet derivative instruments	**134.774**	**27.716**	**-**	**-**	**162.490**
Net foreign currency position	**(86.565)**	**(175.709)**	**17.694**	**91.223**	**(153.357)**

The net foreign currency position of the Group as of 31 December 2005 is negative TRY153.357 equivalent to EUR82.828.517.

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

NOTE 30 - GOVERNMENT GRANTS

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

a) 100% exemption from customs duty on machinery and equipment to be imported,
b) Value-added tax exemption with respect to purchases of investment goods both from domestic and export markets,
c) Exemption of tax and funds
d) 40% of the research and development expenditures ,
e) Inward Processing Permission Certificates (Note 31),
f) Incentive from Tübitak-Teydeb for research and development expenditures.

NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

Provisions

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

Commitments and contingent liabilities

a) Derivative financial instruments and embedded derivatives

	Contract amount	Fair Values Assets/	(Liabilities)
2006			
Forward foreign exchange contracts	160.499	-	(1.749)
	160.499	**-**	**(1.749)**
2005			
Forward foreign exchange contracts	162.490	1.329	(2.387)
	162.490	**1.329**	**(2.387)**

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

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

b) Guarantees and commitments given are as follows at 31 December :

	2006	**2005**
Collateral obtained	1.454.855	1.074.657
Mortgages on property, plant and equipment regarding IFC loans	93.851	80.469
Other guarantees given	60.846	13.137
Standby letters of credit	56.360	59.290
Guarantee letters given to customs for imports	31.424	45.063
Assigned receivables given related to IFC loans	27.850	24.691
Guarantee letters given	11.378	8.630
Forward commitments	7.505	4.280
Operational lease commitments	6.498	8.815
Guarantee letters given to Eximbank for import loans	5.250	25.372
Pledges given	1.742	2.185
Bills of exchange given to suppliers	-	75.913
Other guarantees	2.173	352

c) In connection with the Inward Processing Permission Certificates, the Group has committed to realise export sales amounting to USD1.286.690.953 in 2006 (2005: USD2.649.634.741).

d) The export commitments in the scope of the Investment Incentive Certificates at 31 December 2006 amount to USD1.000 (31 December 2005: USD21.000).

NOTE 32 - BUSINESS COMBINATIONS

On 6 October 2006, Arçelik acquired additional shares of Beko Elektronik with a nominal value of TRY87.171, of which TRY57.200 belongs to Koç Holding, TRY21.164 to Beko Ticaret, TRY1.384 to Temel Ticaret ve Yatırım A.Ş. and TRY6.973 to Koç family, for a purchase consideration of TRY190.032 that is determined by considering the arithmetic average of the weighted average of the share prices on the ISE between 3 April and 29 September 2006 and increased its interest in Beko Elektronik's capital from 22,36% to 72,46%.

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

NOTE 32 - BUSINESS COMBINATIONS (Continued)

This acquisition is defined as a business combination involving entities under common control, since the combining entities are ultimately controlled by the same party or parties both before and after the aforementioned business combination. Arçelik has decided to apply an accounting policy in line with "pooling of interest" method in accounting the transaction under common control considering that it would reflect the economic substance of the related transaction reliably and fairly after considering generally accepted accounting principles around the world, since no guidance concerning the accounting of business combinations under common control is included in either IFRS 3 or other standards under IFRS framework. Assets and liabilities subject to business combination are accounted for with the carrying amounts in the consolidated financial statements. In addition, statements of income are consolidated from the beginning of financial year in which the business combination takes place. Similarly, comparative consolidated financial statements are restated retrospectively for comparison purposes. As a result of adopting such an accounting policy, no goodwill is recognised. The difference arising in the elimination of the carrying value of the investment held and share capital of the acquired company is directly accounted for in shareholders' equity as "effect of transactions under common control". Consequently, retained earnings have decreased by TRY 190.032, whereas after the restatement of prior year's financial statements retained earnings have increased by TRY 188.020. As a result of this accounting, retained earnings as of 31 December 2006 have decreased by a total amount of TRY 2.012.

NOTE 33– SEGMENT REPORTING

The Group's geographical segments are 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.

Segment sales	**2006**	**2005**
Turkey	3.603.342	3.131.472
Europe	2.972.913	2.857.082
Other	382.428	256.890
	6.958.683	**6.245.444**

Segment assets	**2006**	**2005**
Turkey	5.262.999	4.336.185
Europe	889.354	754.846
Other	217.286	46.254
	6.369.639	**5.137.285**

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

NOTE 33– SEGMENT REPORTING (Continued)

Segment capital expenditure	**2006**	**2005**
Turkey	195.622	189.229
Europe	37.857	27.493
Other(*)	92.305	38.695
	325.784	**255.417**

(*) Consists of capital expenditure in Russia.

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

NOTE 34 - SUBSEQUENT EVENTS

None.

NOTE 35 - DISCONTINUED OPERATIONS

The Group has no discontinued operations as at balance sheet dates.

NOTE 36 - OPERATING INCOME

	2006	**2005**
Domestic sales	3.821.074	3.293.048
Foreign sales	3.671.139	3.375.872
Gross sales	**7.492.213**	**6.668.920**
Less: Discounts	(533.530)	(423.476)
Net sales	**6.958.683**	**6.245.444**

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

NOTE 37– OPERATING EXPENSES

	2006	2005
Research and development expenses	(76.038)	(65.233)
Selling and marketing expenses	(944.490)	(826.843)
General administrative expenses	(328.735)	(286.286)
Operating expenses	**(1.349.263)**	**(1.178.362)**

NOTE 38– OTHER INCOME/EXPENSES

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

	2006	2005
Other income		
Income from indemnities and incentives	10.497	7.913
Reversal of provisions	9.838	10.255
Income from sale of investments	5.135	1.879
Licence income	4.223	1.319
Income from sale of property plant and equipment	1.915	1.647
Service income	1.528	2.810
Rent income	1.319	1.440
Other	14.234	10.857
Other income and profit	**48.689**	**38.120**
Other expenses		
Provision for doubtful receivables	(38.094)	(23.660)
Provision for slow moving and obsolete inventories	(27.130)	(28.627)
Provision expenses	(10.502)	(4.975)
Loss from sale of property plant and equipment	(1.279)	(1.226)
Other	(7.930)	(14.813)
Other expenses and losses	**(84.935)**	**(73.301)**

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

NOTE 39 - FINANCIAL INCOME/EXPENSES

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

	2006	2005
Credit finance income	201.396	139.800
Foreign exchange gains	196.441	151.114
Foreign currency forward income	33.529	1.829
Interest income from bank deposits and loan to banks secured with government bonds and treasury bills	19.395	32.631
Other	1.992	3.014
Financial income	**452.753**	**328.388**
Foreign exchange losses	(228.965)	(142.168)
Interest on borrowings	(189.046)	(92.019)
Credit finance charges	(106.346)	(71.712)
Cash discounts expenses	(24.204)	(18.448)
Foreign currency forward expense	(15.978)	(2.387)
Other	(5.804)	(4.652)
Financial expenses	**(570.343)**	**(331.386)**
Financial income/(expenses), net	**(117.590)**	**(2.998)**

NOTE 40 - NET MONETARY POSITION GAIN/LOSSES

On 17 March 2005, the CMB announced that the application of inflation accounting is no longer required for 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 years in 2006 and 2005.

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

NOTE 41 – TAXES ON INCOME

	2006	2005
Corporation and income taxes	122.543	115.336
Less: prepaid tax	(120.277)	(110.442)
Taxes payable (net)	2.266	4.894
Deferred tax (assets) / liabilities (net)	(23.771)	8.139
	(21.505)	**13.033**

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

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

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

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

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

Germany	39,62%	Spain	35,00%
Austria	25,00%	Italy	37,25%
Czech Republic	24,00%	Hungary	16,00%
China	33,00%	Poland	19,00%
France	33,33%	Romania	16,00%
The Netherlands	25,50%	Russia	20,00%
The United Kingdom	30,00%	Slovakia	19,00%

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

	2006	2005
Taxes on income		
- Current	(120.651)	(116.967)
- Deferred	48.866	47.844
Taxes on income	**(71.785)**	**(69.123)**

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

NOTE 42 - EARNINGS PER SHARE

The earnings per share for each year are as follows:

	2006	2005
Net income	324.147	259.913
Weighted average number of ordinary shares with nominal value of TRY1 each	399.960.000	399.960.000
Earnings per share (TRY)	**0,8104**	**0,6498**

NOTE 43 - SUPPLEMENTARY CASH FLOW INFORMATION

Consolidated statements of cash flows are presented within the consolidated financial statements (page 5).

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

	31 December 2006	31 December 2005
Changes in reserves and provisions		
Assembly and transportation provision	24.733	(6.411)
Warranty provision	80.517	274
Provision for employment termination benefits	4.905	3.407
Accrual for bonuses and premiums	132	3.391
Accrual for customer premium	6.813	-
Accrual for sales and marketing expenses	5.289	19.860
	122.389	**20.521**
Changes in operating assets and liabilities		
Trade receivables and due from related parties	(423.560)	(341.857)
Inventories	(319.479)	86.671
Financial assets	(2.209)	(34.961)
Other current assets and liabilities	(198.602)	50.200
Other non-current assets and liabilities	(1.226)	10.801
Trade payables and due to related parties	127.946	74.307
	(817.130)	**(154.839)**

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

NOTE 44 – DISCLOSURE OF OTHER MATTERS

a) Amounts related to Joint Ventures

Aggregate amounts of assets, liabilities and net income before the consolidation adjustments of Joint Ventures on a combined basis which are proportionately consolidated, as described in Note 2.c to these consolidated financial statements, are as follows:

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

	2006	2005
Net sales	348.451	351.507
Gross operating profit	52.682	66.399
Net operating profit	(34.003)	(5.186)
Net loss	(32.079)	(4.949)

b) Useful life changes for property, plant and equipment and intangible assets

As discussed in Note 3.7, the Group has reviewed the useful lives of property, plant and equipment and updated some useful lives as of 1 January 2006. Accordingly, the mentioned change related to useful lives has been evaluated as a change in accounting estimates and has been accounted for as affecting the financial statements of the current and future periods. Due to the mentioned change, less depreciation has been accrued amounting to TRY40.577 in the consolidated financial statements for the year ended 31 December 2006 and accordingly, "property plant and equipment" have been positively affected amounting to TRY40.577, "inventory" has been negatively affected amounting to TRY1.236 and "total assets" and "income before tax" have been positively affected amounting to TRY39.341. Due to the effect of the mentioned accounting estimate change on the carrying value of property plant and equipment and inventory held as at the end of the period, ,"deferred tax liability" has increased amounting to TRY7.692 and "tax expense" and "total assets" have been negatively affected to the same amount. The total effect of these changes on "total shareholders' equity" has been realised as positive amounting to TRY31.649.

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