

**ARÇELİK ANONİM ŞİRKETİ**

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2008**

CONVENIENCE TRANSLATION OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS  
AT 31 MARCH 2008

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ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED CONDENSED INTERIM BALANCE SHEETS  
AT 31 MARCH 2008 AND 31 DECEMBER 2007

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

		Unaudited	Audited
	Notes	31 March 2008	31 December 2007
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	383.981	302.492
Trade receivables (net)	10	2.345.468	2.442.566
Other receivables (net)		127	511
Inventories (net)	11	1.299.692	1.105.872
Other current assets	18	298.919	286.959
<b>Subtotal</b>		<b>4.328.187</b>	<b>4.138.400</b>
Assets held for sale		1.814	1.814
<b>Total current assets</b>		<b>4.330.001</b>	<b>4.140.214</b>
<b>Non-current assets</b>			
Trade receivables (net)	10	31.182	18.144
Other receivables		1.304	511
Financial assets	7	823.356	813.852
Associates accounted for using equity method	12	120.246	111.129
Investment properties (net)	13	5.924	3.463
Property, plant and equipment (net)	14	1.237.571	1.206.050
Intangible assets (net)	15	358.217	176.247
Goodwill	16	13.932	3.377
Deferred tax assets	26	61.641	53.812
<b>Total non-current assets</b>		<b>2.653.373</b>	<b>2.386.585</b>
<b>Total assets</b>		<b>6.983.374</b>	<b>6.526.799</b>

The consolidated condensed interim financial statements as at and for the period ended 31 March 2008 have been approved for issue by the Board of Directors on 26 May 2008 and signed on its behalf by Fatih Kemal Ebiçlioğlu, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director

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

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STATEMENTS ORIGINALLY ISSUED IN TURKISH

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED CONDENSED INTERIM BALANCE SHEETS

AT 31 MARCH 2008 AND 31 DECEMBER 2007

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

		Unaudited	Audited
	Notes	31 March 2008	31 December 2007
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial liabilities (net)	8	2.294.963	2.076.459
Other financial liabilities	9	5.640	199
Trade payables (net)	10	638.035	660.740
Other payables		1.287	2.217
Income tax payable	18,26	2.825	4.741
Provisions	17	354.069	251.724
Other liabilities (net)	18	82.485	161.074
<b>Total current liabilities</b>		<b>3.379.304</b>	<b>3.157.154</b>
<b>Non-current liabilities</b>			
Financial liabilities (net)	8	969.811	995.872
Trade payables (net)	10	64.760	60.038
Provisions	17	72.916	53.527
Liabilities for employment termination benefits		60.464	56.155
Deferred tax liabilities	26	96.899	54.494
Other non-current liabilities	18	7.014	3.829
<b>Total non-current liabilities</b>		<b>1.271.864</b>	<b>1.223.915</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders</b>			
Share capital	19	399.960	399.960
Share capital adjustments	19	16.558	16.558
Share premium	19	96	96
Fair value reserves	19	481.716	440.749
Translation reserves		28.585	(16.584)
Legal reserves	19	142.920	142.920
Prior years' income		1.127.610	975.989
Net income for the period/ year		55.333	157.765
<b>Total capital and reserves attributable to equity holders</b>		<b>2.252.778</b>	<b>2.117.453</b>
<b>Minority interest</b>		<b>79.428</b>	<b>28.277</b>
<b>Total equity</b>		<b>2.332.206</b>	<b>2.145.730</b>
<b>Total liabilities and equity</b>		<b>6.983.374</b>	<b>6.526.799</b>

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

CONVENIENCE TRANSLATION OF CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ARÇELİK ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME FOR THE THREE MONTH PERIODS ENDED 31 MARCH

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

		Unaudited	Unaudited
	Notes	31 March 2008	31 March 2007
<b>CONTINUING ACTIVITIES</b>			
Net sales	20	1.535.313	1.635.675
Cost of sales		(1.143.939)	(1.160.139)
<b>GROSS PROFIT</b>		<b>391.374</b>	<b>475.536</b>
Selling, marketing and distribution expenses	21	(213.835)	(209.978)
General Administrative expenses	21	(76.091)	(72.497)
Research and development expenses	21	(11.252)	(18.027)
Other operating income	23	16.683	11.594
Other operating expense	23	(6.175)	(5.896)
<b>OPERATING PROFIT</b>		<b>100.704</b>	<b>180.732</b>
Income from associates accounted for equity method	12	9.117	4.405
Financial income	24	260.046	78.613
Financial expense	25	(312.673)	(177.424)
<b>CONTINUING ACTIVITIES INCOME BEFORE TAX</b>		<b>57.194</b>	<b>86.326</b>
<b>Continuing activities tax income/expense</b>			
- Current tax		(9.558)	(21.412)
- Deferred tax	26	4.555	7.388
<b>CONTINUING ACTIVITIES NET INCOME</b>		<b>52.191</b>	<b>72.302</b>
<b>Attribution of net income</b>			
Minority interest		(3.142)	(1.721)
Equity holders of the Company		55.333	74.023
<b>Earnings per share (TRY)</b>	<b>27</b>	<b>0,138</b>	<b>0,185</b>

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ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED CONDENSED INTERIM CHANGES IN EQUITY FOR THE THREE MONTH PERIOD ENDED 31 MARCH

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

	Share Capital	Share capital adjustments	Share premium	Fair value reserves	Translation differences	Legal Reserves	Prior years' income	Net income for the period	Minority interest	Total Equity
<b>Balance at 1 January 2007</b>	<b>399.960</b>	<b>16.558</b>	<b>96</b>	<b>330.845</b>	<b>15.421</b>	<b>107.439</b>	<b>909.181</b>	<b>324.147</b>	<b>32.890</b>	<b>2.136.537</b>
Transfers	-	-	-	-	-	-	324.147	(324.147)	-	-
Cumulative translation differences	-	-	-	-	(1.689)	-	-	-	(259)	(1.948)
Net income for the period	-	-	-	-	-	-	-	74.023	(1.721)	72.302
<b>Balance at 31 March 2007</b>	<b>399.960</b>	<b>16.558</b>	<b>96</b>	<b>330.845</b>	<b>13.732</b>	<b>107.439</b>	<b>1.233.328</b>	<b>74.023</b>	<b>30.910</b>	<b>2.206.891</b>
<b>Balance at 1 January 2008</b>	<b>399.960</b>	<b>16.558</b>	<b>96</b>	<b>440.749</b>	<b>(16.584)</b>	<b>142.920</b>	<b>975.989</b>	<b>157.765</b>	<b>28.277</b>	<b>2.145.730</b>
Transfers	-	-	-	-	-	-	157.765	(157.765)	-	-
Cumulative translation differences	-	-	-	-	45.169	-	-	-	2.514	47.683
Fair value increase arising from business combination *	-	-	-	54.990	-	-	-	-	16.711	71.701
Deferred taxation on fair value increase	-	-	-	(14.023)	-	-	-	-	(4.261)	(18.284)
Share capital increase of minority in subsidiaries consolidated **	-	-	-	-	-	-	-	-	33.185	33.185
Increase in share capital in subsidiaries on place of minority interest*	-	-	-	-	-	-	(6.144)	-	6.144	-
Net income for the period	-	-	-	-	-	-	-	55.333	(3.142)	52.191
<b>Balance at 31 March 2008</b>	<b>399.960</b>	<b>16.558</b>	<b>96</b>	<b>481.716</b>	<b>28.585</b>	<b>142.920</b>	<b>1.127.610</b>	<b>55.333</b>	<b>79.428</b>	<b>2.332.206</b>

\* \* Share of fair value increase in intangible assets arising from the business combination attributable to the 50% previously held before 31 March 2008 (Note 15)

\*\* Grundig Elektronik A.Ş., Subsidiary of the Group has increased share capital and share of equity holders of the company has increased from 72.46% to 76.69% (Note 2.1.2).

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

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ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED CONDENSED INTERIM CASH FLOWS  
FOR THE THREE MONTH PERIOD ENDED 31 MARCH

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

		Unaudited	Unaudited
	Notes	31 March 2008	31 March 2007
<b>Operating activities:</b>			
<b>Net income before tax</b>		<b>57.194</b>	<b>86.326</b>
<i>Adjustments to reconcile net cash provided from Operating activities to income before tax</i>			
Increase in accruals and provisions		68.564	53.194
Depreciation and amortisation	13,14,15	42.955	39.285
Interest income	24	(4.718)	(5.152)
Interest expense	25	101.663	79.220
Income from associates (net)	12	(9.117)	(4.405)
Gain/loss from sale of property, plant and equipment and intangible assets (net)		(173)	417
<b>Net cash provided by operating activities before changes in operating assets and liabilities</b>		<b>256.368</b>	<b>248.885</b>
Changes in operating assets and liabilities (net)		(157.824)	(223.436)
Corporate taxes paid		(31.949)	(4.518)
<b>Net cash provided from operating activities</b>		<b>66.595</b>	<b>20.931</b>
<b>Investing activities:</b>			
Cash inflow due to sale of property, plant and equipment and intangible assets		2.083	506
Purchase of property, plant and equipment and intangible assets	13,14,15	(49.592)	(31.437)
Acquisition of additional share of joint venture	3	(55.246)	-
Translation differences (net)		9.740	1.341
<b>Net cash used in investing activities</b>		<b>(93.015)</b>	<b>(29.590)</b>
<b>Financing activities:</b>			
Interest received		4.718	3.364
Interest paid		(87.766)	(74.182)
Share capital increase of minority in consolidated subsidiaries		33.185	-
Increase/ (decrease) in held to maturity investments (net)	7	(9.470)	2.041
Increase in bank borrowings (net)		167.242	282.198
<b>Net cash provided from financing activities</b>		<b>107.909</b>	<b>213.421</b>
<b>Net increase in cash and cash equivalents</b>		<b>81.489</b>	<b>204.762</b>
<b>Cash and cash equivalents as of 1 January</b>		<b>302.492</b>	<b>288.796</b>
<b>Cash and cash equivalents as of 31 March</b>		<b>383.981</b>	<b>493.558</b>

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

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INTERIM FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2008**

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

**NOTE 1 – ORGANIZATION AND NATURE OF 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 twelve manufacturing plants in Turkey, Romania, Russia and China. 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:

Karaağaç Caddesi No: 2-6  
Sütlüce 34445 Beyoğlu  
İstanbul / 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 2007, the publicly quoted shares are approximately 21,29% of the total shares. At 31 December 2007, the principal shareholders and their respective shareholdings in the Company are as follows (Note 25):

	%
Koç Holding A.Ş.	39,14
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi 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
	<b>100,00</b>

The average number of employees of the Group is 18.987 (31 March 2007: 17.761).

The Group has increased its shares in Grundig Multimedia B.V. and her subsidiaries from 50% to 100% as of 31 March 2008 and the joint ventures of the company became subsidiaries of company. The Company’s subsidiaries (“Subsidiaries”) and investments in associated undertakings (“Associates”) are explained as follows.

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AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2008**

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

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (Continued)**

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Core business</u>	<u>Nature of business</u>
Arcelelitalia SRL (“Arcelelitalia”)	Italy	Sales	Consumer durables/Electronics
Archin Limited (“Archin”)	Hong Kong, China	Sales	Consumer durables/Electronics
ArcticPro SRL (“ArcticPro”)	Romania	Service	Consumer durables
Ardutch B.V. (“Ardutch”)	Netherlands	Investment	Holding
Bekodutch B.V. (“Bekodutch”)	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 Elektronik Llc (“Beko Elektronik Russia”)	Russia	Pruduction/Sales	Electronics
Beko France S.A. (Beko France”)	France	Sales	Consumer durables/Electronics
Beko Llc. (“Beko Russia”)	Russia	Production/Sales	Consumer durables/Electronics
Beko Magyarorszag K.F.T. (“Beko Magyarorszag”)	Hungary	Sales	Consumer durables/Electronics
Beko Plc. (“Beko UK”)	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
Changzhou Beko Electrical Appliances Co. Ltd. (“Beko China”)	China	Production	Consumer durables/Electronics
Elektra Bregenz AG (“Elektra Bregenz”)	Austria	Sales	Consumer durables/Electronics
Fusion Digital Technology Ltd. (“Fusion Digital”) (**)	U.K.	Technology	Electronics
Grundig Elektronik A.Ş. (“Grundig Elektronik”) (*)	Turkey	Production/Sales	Electronics
Grundig Multimedia B.V. (“Grundig Multimedia”) (***)	Netherlands	Investment	Holding
Grundig AG (“Grundig Switzerland”) (***)	Switzerland	Sales	Electronics
Grundig Benelux B.V. (“Grundig Benelux”) (***)	Netherlands	Sales	Electronics
Grundig Ceska Republika S.r.o (“Grundig Ceska”) (***)	Czech Republic	Sales	Electronics
Grundig Denmark 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 Intermedia GmbH (“Grundig Austria”) (***)	Austria	Sales	Electronics
Grundig Intermedia Trgovina, d.o.o. (“Grundig Slovenia”) (***)	Slovenia	Sales	Electronics
Grundig Italiana S.p.A. (“Grundig Italy”) (***)	Italy	Sales	Electronics
Grundig Magyarország Kft. (“Grundig Hungary”) (***)	Hungary	Sales	Electronics
Grundig Norge AS (“Grundig Norway”) (***)	Norway	Sales	Electronics
Grundig OY (“Grundig Finland”) (***)	Finland	Sales	Electronics
Grundig Polska Sp. z o.o. (“Grundig Polska”) (***)	Poland	Sales	Electronics
Grundig Portuguesa, Lda (“Grundig Portugal”) (***)	Portugal	Sales	Electronics
Grundig Slovakia s.r.o (“Grundig Slovakia”) (***)	Slovakia	Sales	Electronics
Grundig Svenska AB. (“Grundig Sweden”) (***)	Sweden	Sales	Electronics
Grundig S.A.S. (“Grundig France”) (***)	France	Sales	Electronics
Raupach Wollert GmbH (“Raupach”)	Germany	Investment	Holding
SC Arctic SA (“Arctic”)	Romania	Production/Sales	Consumer durables/Electronics

(\*) Previously known as Beko Elektronik A.Ş.

(\*\*) In liquidation process.

(\*\*\*) Related companies are considered as a joint-venture as of 31 December 2007. As a result of the acquisition of additional 50 % share of Grundig Multimedia dated 31 March 2008, the Group’s share in the Grundig Multimedia and children companies of Grundig Multimedia increased from 50% to 100% and these companies became subsidiaries of Group.

<u>Associates</u>	<u>Country of incorporation</u>	<u>Core business</u>	<u>Nature of business</u>
Arçelik-LG Klima Sanayi ve Ticaret A.Ş. (“Arçelik-LG”)	Turkey	Production/Sales	Consumer durables
Koç Tüketici Finansmanı A.Ş. (“Koç Tüketici Finans”)	Turkey	Finance	Consumer finance
Ram Dış Ticaret A.Ş. (“Ram Dış Ticaret”)	Turkey	Sales	Foreign trade
Tanı Pazarlama İ.H.A.Ş. (“Tanı Pazarlama”)	Turkey	Consultancy	Marketing and communication

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

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**NOTE 2 – BASIS OF PRESENTATION OF CONDENSED FINANCIAL STATEMENTS**

**2.1 Basis of presentation**

**2.1.1 Accounting Policies**

Capital Market Board of Turkey (“CMB”) published Communiqué No.XI/29, “Communiqué on financial reporting in Capital Markets”. The communiqué is applicable to first interim financial statements for the accounting period commencing from 1 January 2008 and is effective from the date of publishing. Regarding this communiqué, entities are required to prepare their financial statements in accordance with International Financial Reporting Standards (“IFRS”) as applied in European Union. Until the differences between IFRS as applied in European Union and issued by International Accounting Standard Board (“IASB”) are declared by Turkish Accounting Standards Board (“TASB”), IFRS as issued by IASB should be applied. Within this framework, Turkish Accounting/Financial Reporting Standards, which is in full consistency with the standards adopted, should be accepted as the basis.

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 Financial Reporting Standards. Accordingly, International Accounting Standard (“IAS”) 29 (“Financial Reporting in Hyperinflationary Economies”) issued by the IASB, has not been applied in consolidated financial statements for the accounting periods commencing from 1 January 2005.

In accordance with Communiqué No.XI/29 of CMB, entities may elect to prepare their financial statements either as condensed or as a full set in accordance with IAS 34 “Interim Financial Reporting”. Accordingly, the Group has elected to publish condensed financial statements in accordance with CMB Financial Reporting Standards.

Condensed interim consolidated financial statements and the related notes have been prepared with the proposed formats including the required information, in accordance with the announcement of CMB dated 14 April 2008. Within this framework, prior period financial statements have been reclassified when deemed necessary.

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AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2008**

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

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

**2.1.2 Basis of Consolidation**

- a) The condensed consolidated financial statements include the accounts of the parent company, Arçelik and its Subsidiaries on the basis set out in sections (b) to (e) below. The financial statements of the companies included in the consolidation are prepared in accordance with the laws and regulations in force in the countries in which they operate with adjustments and reclassifications for the purpose of presentation in conformity with IFRS and IAS and accounting policies and presentation formats applied by Group.
- 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 voting rights, otherwise by having the power to exercise control over the financial and operating policies.

The balance sheets and statements of income of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by 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 Grundig Elektronik in its Subsidiaries are eliminated from shareholders' equity and income for the period, respectively.

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The table below sets out all Subsidiaries included in the scope of consolidation and shows their direct and indirect ownership, economic interests as of 31 March 2008 and 31 December 2007:

	31 March 2008		31 December 2007	
	Ownership %	Economic interest %	Ownership %	Economic interest %
Arctic	96,68	96,68	96,68	96,68
Arcelitalia	100,00	100,00	100,00	100,00
Ardutch	100,00	100,00	100,00	100,00
Bekodutch	100,00	100,00	100,00	100,00
Beko Cesko	100,00	100,00	100,00	100,00
Beko China	100,00	100,00	100,00	100,00
Beko Czech	100,00	100,00	100,00	100,00
Beko Deutschland	100,00	100,00	100,00	100,00
Beko Electronics Russia	100,00	100,00	100,00	100,00
Beko Espana	99,97	99,97	99,97	99,97
Beko France	99,96	99,96	99,96	99,96
Beko Hungary	100,00	100,00	100,00	100,00
Beko Magyarorszag	100,00	100,00	100,00	100,00
Beko Polska	100,00	100,00	100,00	100,00
Beko Russia	100,00	100,00	100,00	100,00
Beko Slovakia	100,00	100,00	100,00	100,00
Beko UK	50,00	50,00	50,00	50,00
Blomberg Vertrieb	100,00	100,00	100,00	100,00
Blomberg Werke	100,00	100,00	100,00	100,00
Elektra Bregenz	100,00	100,00	100,00	100,00
Fusion Digital	100,00	100,00	100,00	100,00
Raupach	100,00	100,00	100,00	100,00
Grundig Elektronik	76,69	76,69	72,46	72,46
Grundig Multimedia (*)	100,00	76,69	50,00	36,23
Grundig Austria (*)	100,00	76,69	50,00	36,23
Grundig Benelux (*)	100,00	76,69	50,00	36,23
Grundig Czech Republic (*)	100,00	76,69	50,00	36,23
Grundig Denmark (*)	100,00	76,69	50,00	36,23
Grundig Espana (*)	100,00	76,69	50,00	36,23
Grundig Finland (*)	100,00	76,69	50,00	36,23
Grundig France (*)	100,00	76,69	50,00	36,23
Grundig Intermedia (*)	100,00	76,69	50,00	36,23
Grundig Italy (*)	100,00	76,69	50,00	36,23
Grundig Hungary (*)	100,00	76,69	50,00	36,23
Grundig Norway (*)	100,00	76,69	50,00	36,23
Grundig Portugal (*)	100,00	76,69	50,00	36,23
Grundig Polska (*)	100,00	76,69	50,00	36,23
Grundig Slovakia (*)	100,00	76,69	50,00	36,23
Grundig Slovenia (*)	100,00	76,69	50,00	36,23
Grundig Sweden (*)	100,00	76,69	50,00	36,23
Grundig Switzerland (*)	100,00	76,69	50,00	36,23

(\*)These companies were joint-venture of the Group as of 31 December 2007..Due to result of the acquisition of additional 50 % share of Grundig Multimedia and indirectly other Grundig Companies at 31 March 2008, Group's share in these companies has increased from 50% to 100% and the control over the activities of the related companies have been transferred to the Group. Accordingly, these companies have become Subsidiaries of Grundig Elektronik at 31 March 2008.

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- c) Subsidiaries in which the Group has interest of 50% as of 31 December 2007 are considered as a joint-venture and the Group's interest in Joint Ventures is accounted for by way of proportionate consolidation. By this method, the Group includes its share of the assets, liabilities, income and expenses of each Joint Venture in the relevant components of the financial statements. On 31 March 2008, Group has acquired additional 50% of the shares in Grundig Multimedia and obtained 100% control over Grundig Multimedia and other Grundig Companies. The financial statements of these acquired companies are fully consolidated from the date on which control is transferred to the Group.

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 7.

- 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 year is recognised in the income statement and its share of Associates' movements in shareholders' equity such as changes in financial assets fair value reserve and 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 12).

The table below sets out all Associates and shows their direct and indirect ownership at 31 March 2008 and 31 December 2007:

	<b>31 March 2008</b>	<b>31 December 2007</b>
Arçelik - LG	45,00	45,00
Koç Tüketici Finans	47,00	47,00
Ram Dış Ticaret	33,50	33,50
Tanı Pazarlama	32,00	32,00

- e) Available-for-sale investments, in which the Group has controlling interests equal to or above 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.

**2.2 Summary of Significant Accounting Policies**

The condensed consolidated interim financial statements as at and for the three month ended 31 March 2008 have been prepared consistently in accordance with the accounting policies applied in the preparation of the annual financial statements for the year ended 31 December 2007.

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**NOTE 3 – BUSINESS COMBINATIONS**

*Business combinations in 2008*

On 31 March 2008, Group has acquired additional 50% of the shares in Grundig from Alba Europe Ltd. (“Alba”) and obtained 100% control over Grundig Multimedia. According to the Share Purchase Agreement, Grundig Elektronik paid EUR 35 million in cash to Alba for its 50% share in Grundig Multimedia. In addition to the cash amount, Group agreed to make additional payments to Alba as 4% of the 2008, 2009 and 2010 revenues of Alba’s Grundig branded sales in UK and Ireland subject to a maximum cap of EUR 2 million for 2008 and EUR 3 million for 2009 and 2010. After the first three instalments, in 2011 and 2012, Group will pay 2% revenues of Alba’s Grundig branded sales in UK and Ireland but these payments are not subject to a maximum cap.

The details of the net assets acquired and the goodwill concerning Grundig Multimedia are as follows:

	<b>Carrying amount</b>	<b>Fair value</b>
Cash and cash equivalents	31.206	31.206
Trade receivables	183.738	183.738
Due from related parties	445	445
Inventories	121.019	121.019
Other current assets	8.417	8.417
Investments	73	73
Investment properties	5.924	5.924
Property, plant and equipment	4.509	4.509
Intangible assets	45.200	188.604
Other non-current assets	865	865
Financial liabilities	(22.608)	(22.608)
Trade payables	(19.905)	(19.905)
Due to related parties	(208.099)	(208.099)
Deferred tax liability	(6.656)	(43.225)
Other liabilities	(103.181)	(103.181)
<b>Net assets acquired</b>	<b>40.947</b>	<b>147.782</b>
Additional share acquired		50,0%
<b>Group’s share in net assets acquired</b>		<b>73.891</b>
Total cash consideration		84.444
Group’s share in net assets acquired		(73.891)
<b>Goodwill arising from acquisition (Note 15)</b>		<b>10.553</b>
Total cash consideration		84.444
Provision for payable for acquired shares (-) (Note 17)		(13.595)
<b>Net cash acquired with the subsidiary (-)</b>		<b>(15.603)</b>
<b>Net cash outflow from acquisition</b>		<b>55.246</b>

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**NOTE 3 – BUSINESS COMBINATIONS (Continued)**

*Business combinations in 2007*

Regarding the growth strategy and plans related to the investment in China, the Group signed a share transfer agreement on 28 July 2007 regarding the purchase of all shares of Changzhou Casa-Shinco Electrical Appliances Co. Ltd. Following the agreement sign-off, legal procedures in China have been completed; Ardutch has taken over the shares and the company's business title has been changed and registered as Changzhou Beko Electrical Appliances Co. Ltd. ("Beko China").

The details of the net assets acquired and the goodwill concerning Beko China are as follows:

Total acquisition cost (*)	12.576
Net assets acquired	(10.987)

**Goodwill** **1.589**

(\*) Costs directly attributable to the business combination were included.

The fair values of assets and liabilities arising from the acquisition are as follows:

Cash and due from banks	4.699
Inventories	3.824
Property, plant and equipment	16.531
Intangible assets	1.575
Trade and other receivables	6.293
Financial liabilities	(4.294)
Trade and other payables	(17.641)

**Net assets acquired (%100)** **10.987**

Total acquisition cost	12.576
Cash and due from banks - acquired	(4.699)

**Cash outflow on acquisition (net)** **7.877**

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**NOTE 4 – INTEREST IN JOINT VENTURES**

As explained in business combinations in 2008 in Note 3, on 31 March 2008, the Group has acquired additional 50% of the shares in Grundig Multimedia and obtained 100% control over Grundig Multimedia (Note 2).

Aggregate amounts of assets, liabilities, net income related to Joint Ventures which are proportionately consolidated, as described in Note 2, to these consolidated financial statements, are as follows:

	<b>31 March 2008</b>	<b>31 December 2007</b>
Current assets	-	172.969
Non-current assets	-	23.968
<b>Assets</b>	<b>-</b>	<b>196.937</b>
Current liabilities	-	171.347
Non current liabilities	-	71.096
Equity	-	(45.506)
<b>Total liabilities and equity</b>	<b>-</b>	<b>196.937</b>
	<b>31 March 2008</b>	<b>31 March 2007</b>
Net sales	73.515	60.104
Cost of sales	(60.601)	(52.735)
Operating expenses(-)	(18.097)	(19.773)
<b>Operating loss</b>	<b>(5.183)</b>	<b>(12.404)</b>
Other operating income/loss, net	969	1.151
Financial expenses, net	1.351	(857)
<b>Loss before tax</b>	<b>(2.863)</b>	<b>(12.110)</b>
Taxation on income	(1.314)	(61)
<b>Net loss for the period</b>	<b>(4.177)</b>	<b>(12.171)</b>

**NOTE 5 – SEGMENT REPORTING**

**Primary reporting format – industrial segment**

The Group's industrial segments are white goods and consumer electronics.

**a) Segment sales income (net)**

	<b>31 March 2008</b>	<b>31 March 2007</b>
White Goods	925.784	1.010.934
Consumer Electronics	341.522	344.667
Other	268.007	280.074
<b>Total</b>	<b>1.535.313</b>	<b>1.635.675</b>

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**NOTE 5 – SEGMENT REPORTING (Continued)**

**b) Gross Operating Profit**

	<b>31 March 2008</b>	<b>31 March 2007</b>
White Goods	298.041	375.937
Consumer Electronics	48.062	48.745
Other	45.271	50.854
<b>Total</b>	<b>391.374</b>	<b>475.536</b>

**c) Segment Assets**

	<b>31 March 2008</b>	<b>31 December 2007</b>
White Goods	4.457.290	4.260.294
Consumer Electronics	1.581.091	1.355.590
Other	499.371	554.611
<b>Total</b>	<b>6.537.752</b>	<b>6.170.495</b>

**Unallocated**

Cash and cash equivalents	383.981	302.492
Deferred tax assets	61.641	53.812

<b>Consolidated total assets</b>	<b>6.983.374</b>	<b>6.526.799</b>
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**d) Segment Liabilities**

	<b>31 March 2008</b>	<b>31 December 2007</b>
White goods	767.412	788.245
Consumer Electronics	346.457	332.743
Other	42.931	61.134
<b>Total</b>	<b>1.156.800</b>	<b>1.182.122</b>

**Unallocated**

Financial liabilities	3.264.774	3.072.331
Deferred tax assets	96.899	54.494
Other	132.695	72.122

<b>Consolidated total liabilities</b>	<b>4.651.168</b>	<b>4.381.069</b>
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**e) Segment capital expenditures and depreciation and amortisation**

**Capital expenditures**

	<b>31 March 2008</b>	<b>31 March 2007</b>
White Goods	40.706	27.730
Consumer Electronics	8.583	3.446
Other	303	261
	<b>49.592</b>	<b>31.437</b>

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**NOTE 5 – SEGMENT REPORTING (Continued)**

**Depreciation and amortisation**

	<b>31 March 2008</b>	<b>31 March 2007</b>
White Goods	30.578	28.319
Consumer Electronics	10.443	9.239
Other	1.934	1.727
	<b>42.955</b>	<b>39.285</b>

**Secondary reporting format – geographical segment**

The Group's geographical segments are Turkey and Europe.

<b>Segment sales</b>	<b>31 March 2008</b>	<b>31 March 2007</b>
Turkey	742.298	903.617
Europe	626.972	585.521
Other	166.043	146.537
	<b>1.535.313</b>	<b>1.635.675</b>

<b>Segment assets</b>	<b>31 March 2008</b>	<b>31 December 2007</b>
Turkey	5.244.419	5.116.707
Europe	1.385.090	1.083.347
Other	353.865	326.745
	<b>6.983.374</b>	<b>6.526.799</b>

<b>Segment capital expenditures</b>	<b>31 March 2008</b>	<b>31 March 2007</b>
Turkey	46.451	26.680
Europe	2.056	512
Other (*)	1.085	4.245
	<b>49.592</b>	<b>31.437</b>

(\*) consist of capital expenditures include in Russia and China

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 location of assets.

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**NOTE 6 – CASH AND CASH EQUIVALENTS**

	<b>31 March 2008</b>	<b>31 December 2007</b>
Cash in hand	412	215
Cash at banks		
- demand deposits	88.078	99.695
- time deposits	256.870	146.410
Cheques and notes	36.843	51.871
Other	1.778	4.301
	<b>383.981</b>	<b>302.492</b>

As of 31 March 2008 and 31 December 2007, maturities of cash and cash equivalents are as follows:

Up to 30 days	374.525	290.617
30 - 90 days	9.456	11.875
	<b>383.981</b>	<b>302.492</b>

As of 31 March 2008 and 31 December 2007, effective interest rates (%) of time deposits are as follows:

	<b>31 March 2008</b>	<b>31 December 2007</b>
USD	5,96	5,35
EUR	4,14	4,16
RON	7,92	5,64

**NOTE 7 – FINANCIAL ASSETS**

As of 31 March 2008 and 31 December 2007, financial assets are as follows:

	<b>31 March 2008</b>	<b>31 December 2007</b>
Available for sale investments	711.613	711.585
Held to maturity investment	108.470	99.000
Financial assets excluded from the scope of consolidation	3.273	3.267
	<b>823.356</b>	<b>813.852</b>

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**NOTE 7 – FINANCIAL ASSETS (continued)**

**a) Available for sale financial assets:**

	<b>31 March 2008</b>		<b>31 December 2007</b>	
	<b>%</b>	<b>YTL</b>	<b>%</b>	<b>YTL</b>
Koç Finansal Hizmetler A.Ş.	7,66	695.847	7,66	695.847
Entek Elektrik Üretimi San. ve Tic .A.Ş.	6,86	12.340	6,86	12.340
Ultra Kablolulu TV ve Telekomünikasyon San. Tic. A.Ş.	7,50	1.901	7,50	1.901
Tat Konserve Sanayii A.Ş.	0,34	1.429	0,34	1.429
Other		96		68
		<b>711.613</b>		<b>711.585</b>

	<b>31 March 2008</b>	<b>31 March 2007</b>
<b>Balance at the 1 January</b>	<b>711.585</b>	<b>711.585</b>
Increase due to business combination acquisition	28	-
<b>Balance at 31 March</b>	<b>711.613</b>	<b>711.585</b>

The unrealised gains (net) arising from changes in the fair value of investments amounting to TRY463.946 net off deferred tax effect amounting to TRY23.197 are recognised in consolidated shareholders’ equity under the “financial assets fair value reserve” at 31 March 2008 ( 31 December 2007: TRY463.946).

**b) Held-to-maturity investments:**

	<b>31 March 2008</b>	<b>31 December 2007</b>
Time deposits (USD)	108.470	99.000
	<b>108.470</b>	<b>99.000</b>

As of 31 March 2008, the effective interest rate of long term time deposits is 7,59%(31 December 2007: %7,59).

**c) Financial assets excluded from the scope of consolidation**

	<b>31 March 2008</b>		<b>31 December 2007</b>	
	<b>%</b>	<b>YTL</b>	<b>%</b>	<b>YTL</b>
<i>Subsidiaries</i>				
Beko Shanghai	100,00	3.259	100,00	3.259
ArticPro SRL	100,00	2	100,00	2
Grundig Intermedia Trgovina, d.o.o., Ljubljana	100,00	12	50,00	6
		<b>3.273</b>		<b>3.267</b>

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**NOTE 8 – FINANCIAL LIABILITIES**

**(a) Short term financial liabilities**

As of 31 March 2008 and 31 December 2007, short term financial liabilities are as follows:

	<b>31 March 2008</b>	<b>31 December 2007</b>
Short term borrowings	1.196.712	1.300.864
Short term portion of long term borrowings	1.098.176	775.510
Financial lease liabilities	75	85
	<b>2.294.963</b>	<b>2.076.459</b>

As of 31 March 2008 and 31 December 2007, short term bank borrowings and effective interest rates of short term bank borrowings are as follows:

	<b>31 March 2008</b>	<b>31 December 2007</b>
<b>Short term bank borrowings</b>		
TRY loans	965.354	1.090.709
Foreign Currency loans	175.512	150.553
Eximbank loans	55.846	59.602
	<b>1.196.712</b>	<b>1.300.864</b>

	<b>%</b>	<b>%</b>
<b>Effective interest rates</b>		
TRY loans	16,83	17,77
Foreign Currency loans	6,69	6,22

**(b) Long term financial liabilities**

As of 31 March 2008 and 31 December 2007, long term financial borrowings are as follows:

	<b>31 March 2008</b>	<b>31 December 2007</b>
Long term bank borrowings	969.762	995.816
Financial lease liabilities	49	56
	<b>969.811</b>	<b>995.872</b>

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**NOTE 8 – FINANCIAL LIABILITIES (Continued)**

As of 31 March 2008, long term bank borrowings are as follows:

<b>Currency</b>	<b>Effective interest rate (%)</b>	<b>Original currency</b>	<b>TRY amount</b>
YTL	16,82%		1.140.288
EUR	5,63%	275.302.155	554.899
USD	7,13%	176.389.047	225.161
GBP	6,91%	35.853.193	91.365
RUB	7,01%	1.034.013.787	56.225
			<b>2.067.938</b>
Less: Current maturities			(1.098.176)
			<b>969.762</b>

As of 31 December 2007, long term bank borrowings are as follows:

<b>Currency</b>	<b>Effective interest rate (%)</b>	<b>Original amount</b>	<b>TRY amount</b>
YTL	16,34%		996.340
EUR	5,46%	272.788.953	466.521
USD	7,05%	177.411.321	206.664
GBP	7,03%	35.238.486	81.961
RUB	8,11%	416.852.411	19.840
			<b>1.771.326</b>
Less: Current maturities			(775.510)
			<b>995.816</b>

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

	<b>31 March 2008</b>	<b>31 December 2007</b>
2009	388.651	456.813
2010	316.773	290.565
2011	189.273	176.123
2012 and over	75.065	72.315
	<b>969.762</b>	<b>995.816</b>

Analysis of borrowings in terms of periods remaining to contractual repricing dates is as follows:

	<b>31 March 2008</b>	<b>31 December 2007</b>
Up to 6 months	1.703.068	2.132.246
6 - 12 months	680.304	364.441
1 - 3 years	352.044	374.583
3 - 5 years	529.234	200.920
	<b>3.264.650</b>	<b>3.072.190</b>

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**NOTE 9 – OTHER FINANCIAL LIABILITIES**

	<b>Contract amount</b>	<b>Fair Values</b>	
		<u>Assets/</u>	<u>(Liabilities)</u>
<b><u>31 March 2008</u></b>			
Foreign currency forward contracts	110.077	-	(5.640)
	<b>110.077</b>	-	<b>(5.640)</b>
<b><u>31 December 2007</u></b>			
Foreign currency forward contracts	87.242	-	(199)
	<b>87.242</b>	-	<b>(199)</b>

**NOTE 10 – TRADE RECEIVABLES AND PAYABLES**

	<b>31 March 2008</b>	<b>31 December 2007</b>
<b>Short-term trade receivables</b>		
Trade receivables	1.158.582	929.273
Notes receivables	1.137.557	1.364.577
Due from related parties (note 28)	88.786	169.971
Cheques received	81.191	85.705
Doubtful trade receivables	81.419	71.959
	<b>2.547.535</b>	<b>2.621.485</b>
Provision for doubtful receivables	(75.980)	(66.520)
Deferred Finance income	(126.087)	(112.399)
	<b>2.345.468</b>	<b>2.442.566</b>

Movements of provision for doubtful receivables are as follows:

	<b>31 March 2008</b>	<b>31 March 2007</b>
<b>Balance at the 1 January</b>	<b>66.520</b>	<b>69.122</b>
Current period additions	1.383	300
Recoveries of doubtful receivables	(531)	(2.002)
Currency translation and foreign exchange difference	5.853	-
Addition through subsidiary acquired	2.755	-
<b>Balance at 31 March</b>	<b>75.980</b>	<b>67.420</b>

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NOTE 10 – TRADE RECEIVABLES AND PAYABLES (Continued)

The ageing analysis of doubtful receivables is as follows:

	31 March 2008	31 December 2007
0-3 months	-	-
3-6 months	10.712	12.095
6 months and over	65.268	54.425
	<b>75.980</b>	<b>66.520</b>

	31 March 2008	31 December 2007
<b>Long-term trade receivables</b>		
Trade receivables	31.182	18.144
	<b>31.182</b>	<b>18.144</b>

	31 March 2008	31 December 2007
<b>Short-term trade payables</b>		
Trade payables	516.210	558.729
Due to related parties (note 28)	129.879	108.720
Unearned credit finance charges	(8.054)	(6.709)
	<b>638.035</b>	<b>660.740</b>

	31 March 2008	31 December 2007
<b>Long-term trade liabilities</b>		
Due to related parties (note 28)	64.760	60.038
	<b>64.760</b>	<b>60.038</b>

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**NOTE 11 – INVENTORIES**

	<b>31 March 2008</b>	<b>31 December2007</b>
Raw materials and supplies	559.180	524.474
Semi-finished goods	54.172	45.321
Finished goods	381.895	242.963
Commercial goods	355.616	338.885
	<b>1.350.863</b>	<b>1.151.643</b>
Less: Provision for impairment on inventories	(51.171)	(45.771)
	<b>1.299.692</b>	<b>1.105.872</b>

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

	<b>31 March 2008</b>	<b>31 December2007</b>
Raw materials and supplies	14.858	15.393
Finished goods	15.921	14.504
Commercial goods	20.392	15.874
	<b>51.171</b>	<b>45.771</b>

Movements in the provision for impairment on inventories are as follows:

	<b>31 March 2008</b>	<b>31 March 2007</b>
<b>Balance at 1 January</b>	<b>45.771</b>	<b>42.251</b>
Current period additions (note 23)	1.827	2.675
Addition through subsidiary acquired	8.569	-
Realised due to sale of inventory	(4.996)	(12.012)
<b>Balance at 31 March</b>	<b>51.171</b>	<b>32.914</b>

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NOTE 12 – ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

	31 March 2008		31 December 2007	
	%	YTL	%	YTL
Koç Tüketici Finansmanı A.Ş.	47,00	64.052	47,00	57.876
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	45,00	49.578	45,00	46.737
Ram Dış Ticaret A.Ş.	33,50	4.710	33,50	4.581
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	32,00	1.906	32,00	1.935
		<b>120.246</b>		<b>111.129</b>

	31 March 2008	31 March 2007
<b>Balance at the 1 January</b>	<b>111.129</b>	<b>102.872</b>
Income from associates (net)	9.117	4.405
Translation differences	-	184
<b>Balance at 31 March</b>	<b>120.246</b>	<b>107.461</b>

	31 March 2008	31 March 2007
<i>Income and expenses from associates</i>		
Koç Tüketici Finansmanı A.Ş.	6.176	1.670
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	2.841	1.892
Ram Dış Ticaret A.Ş.	129	491
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	(29)	(199)
Ram Pacific Ltd.	-	551
	<b>9.117</b>	<b>4.405</b>

DİPNOT 13 – INVESTMENT PROPERTIES

	1 January 2008	Acquisitions	Additions	Transfers	Translation differences	31 March 2008
Cost	4.808	2.962	-	(2.592)	1.281	6.459
Accumulated depreciation (-)	(1.345)		(23)	178	655	(535)
	<b>3.463</b>					<b>5.924</b>

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**DİPNOT 14 – PROPERTY, PLANT AND EQUIPMENT**

	<b>1 January 2008</b>	<b>Acquisitions</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Translation differences</b>	<b>31 March 2008</b>
<b>Cost</b>							
Land	16.225	-	180	(121)	-	506	16.790
Land improvements	27.378	33	24	-	778	3	28.216
Buildings	489.767	318	1.452	(18)	20.221	17.684	529.424
Machinery and equipment	2.328.562	919	6.279	(7.477)	10.395	26.098	2.364.776
Motor vehicles, furniture and fixtures	196.136	985	1.617	(1.516)	(1.512)	4.868	200.578
Leasehold improvements	34.544	-	70	-	-	200	34.814
Construction in progress	25.843	-	24.518	(26)	(27.280)	2.400	25.455
	<b>3.118.455</b>	<b>2.255</b>	<b>34.140</b>	<b>(9.158)</b>	<b>2.602</b>	<b>51.759</b>	<b>3.200.053</b>
<b>Accumulated depreciation</b>							
Land improvements	(13.120)	-	(308)	-	-	-	(13.428)
Buildings	(143.132)	-	(2.870)	10	(188)	(2.711)	(148.891)
Machinery and equipment	(1.587.864)	-	(31.093)	5.804	(931)	(11.639)	(1.625.723)
Motor vehicles, furniture and fixtures	(147.099)	-	(3.142)	1.455	931	(4.030)	(151.885)
Leasehold improvements	(21.190)	-	(1.272)	-	-	(93)	(22.555)
	<b>(1.912.405)</b>	<b>-</b>	<b>(38.685)</b>	<b>7.269</b>	<b>(188)</b>	<b>(18.473)</b>	<b>(1.962.482)</b>
<b>Net Carrying value</b>	<b>1.206.050</b>						<b>1.237.571</b>

As of 31 March 2008, there is no mortgage on property, plant and equipment.

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**NOTE 15 – INTANGIBLE ASSETS**

	<b>1 January 2008</b>	<b>Acquisitions</b>	<b>Increase in fair values</b>	<b>Additions</b>	<b>Disposals</b>	<b>Translation differences</b>	<b>31 March 2008</b>
<b>Cost</b>							
Rights and brands	158.415	94.302	71.701	1.148	(2)	4.757	330.321
Development costs	51.370	-	-	11.010	-	-	62.380
Other	21.365	-	-	3.294	(71)	914	25.502
	<b>231.150</b>	<b>94.302</b>	<b>71.701</b>	<b>15.452</b>	<b>(73)</b>	<b>5.671</b>	<b>418.203</b>
<b>Accumulated amortisation</b>							
Rights and brands	(39.598)	-	-	(2.139)	2	(494)	(42.229)
Development costs	(488)	-	-	(1.520)	-	-	(2.008)
Other	(14.817)	-	-	(588)	50	(394)	(15.749)
	<b>(54.903)</b>	<b>-</b>	<b>-</b>	<b>(4.247)</b>	<b>52</b>	<b>(888)</b>	<b>(59.986)</b>
<b>Net Carrying value</b>	<b>176.247</b>						<b>358.217</b>

Grundig brand and patents have been identified amounting TRY186.508 and TRY1.350 respectively in context of identifiable assets acquired in accordance with IFRS 3 “Business combinations”. The acquisitions and fair value increases in the period have been accounted for within this framework.

**DİPNOT 16 – GOODWILL**

	<b>1 January 2008</b>	<b>Acquisitions</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Translation differences</b>	<b>31 March 2008</b>
Goodwill	3.633	10.555	-	-	-	-	14.188
Accumulated amortisation	(256)	-	-	-	-	-	(256)
<b>Net carrying value</b>	<b>3.377</b>						<b>13.932</b>

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**NOTE 17 – PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

As of 31 March 2008 and 31 December 2007, provisions other than employee benefits and contingent assets and liabilities are as follows.

	<b>31 March 2008</b>	<b>31 December 2007</b>
<b>Short-term provisions</b>		
Warranty provision	114.339	110.704
Accruals for sales and marketing expenses	96.783	44.773
Accruals for customer premiums	42.140	4.101
Assembly provision	27.422	35.418
Accruals for transportation expenses	9.686	9.962
Accruals for bonuses and premiums	516	1.631
Other	63.183	45.135
	<b>354.069</b>	<b>251.724</b>

	<b>31 March 2008</b>	<b>31 December 2007</b>
<b>Long -term provisions</b>		
Warranty provision	59.321	52.258
Provision for payables due to acquisition of subsidiary (note 3)	13.595	-
Other	-	1.269
	<b>72.916</b>	<b>53.527</b>

As of 31 March 2008 and 31 December 2007, commitments and contingent liabilities are as follows:

	<b>31 March 2008</b>	<b>31 December 2007</b>
Collateral obtained	1.643.198	1.643.473
Other guarantees given	31.560	76.075
Guarantee letters given to customs for imports	53.454	59.186
Standby letters of credit	45.249	36.931
Guarantee letters given to Eximbank	61.355	70.070
Guarantee letters given	10.664	11.544
Operational lease commitments (*)	5.084	2.988
Pledges given	3.648	1.453
Other guarantees	830	4.668

(\*) Consists of office, warehouse and car rental payables.

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NOTE 18 – OTHER ASSETS AND LIABILITIES

Other current assets

	31 March 2008	31 December 2007
Advances given for inventories	197.775	190.854
Prepaid expenses	34.140	7.811
Value added tax and special consumption tax carried forward	21.679	36.722
Income accruals	17.624	6.128
Prepaid income tax	14.825	37.240
Advances given for tangible fixed assets	6.335	1.832
Other	6.541	6.372
	<b>298.919</b>	<b>286.959</b>

Other short term liabilities

	31 March 2008	31 December 2007
Taxes and duties payables	59.922	57.765
Payable to personnel	14.194	28.871
Deferred or rescheduled payables to public authorities	6.146	6.142
Advances received	1.792	67.559
Deferred income	431	737
	<b>82.485</b>	<b>161.074</b>

Other long-term liabilities

	31 March 2008	31 December 2007
Deferred or rescheduled payables to public authorities	7.014	3.829
	<b>7.014</b>	<b>3.829</b>

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**NOTE 19 – SHARE CAPITAL AND RESERVES**

The Company’s registered, authorised and paid-in share capital not adjusted for inflation at 31 March 2008 and 31 December 2007 are as follows:

	<b>31 March 2008</b>	<b>31 December 2007</b>
Limit on registered share capital	500.000	500.000
Authorised and paid-in share capital	399.960	399.960

There are 39.996.000.000 shares the nominal value of which is TRY 1 (one) each.

Company’s limit on registered share capital has been increased from TRY500.000 to TRY1.000.000 with the decision of general meeting of shareholders on 3 April 2008, published in the Trade Registry Gazette on 9 April 2008.

The shareholding structure as of 31 March 2008 and 31 December 2007 is as follows:

<b>Shareholders</b>	<b>31 March 2008</b>		<b>31 December 2007</b>	
	<b>Share %</b>	<b>Amount</b>	<b>Share %</b>	<b>Amount</b>
Koç Holding A.Ş.	39.14	156.546	39.14	156.546
Teknosan Büro Makine ve Levazımı Ticaret ve Sanayi 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
<b>Total</b>	<b>100.00</b>	<b>399.960</b>	<b>100.00</b>	<b>399.960</b>
Adjustment to share capital(*)		16.558		16.558
<b>Total paid-in share capital</b>		<b>416.518</b>		<b>416.518</b>

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

**Share premium**

Share premium represents differences of cash inflows resulting from the sale of shares at market value prices. These inflows are classified under equity and can not be distributed. Share premium could be used in future capital increases.

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**NOTE 19 – SHARE CAPITAL AND RESERVES (Continued)**

**Value increase fund**

Value increase fund consist of the financial assets fair value reserves and fair value gains of acquired assets as a result of the business combinations.

In accordance with IFRS 3 “ Business Combinations”, the brand and the patents amongst the acquired intangible assets have been valued with the fair values and included in the consolidated financial statements with such fair values. In the three month period ended 31 March 2008, net value increase difference. Net value difference accounted for in the equity including the minority interests amounts TRY53.417.

**Capital Reserves**

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 company’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.

If the amount of distributable profit calculated over the financial statement prepared in accordance with CMB regulations does not exceed the statutory net distributable profit, the amount and the rate of “distributable” profit cannot be lowered.

If the amount of distributable profit calculated over the financial statement prepared in accordance with CMB regulations exceeds the statutory net distributable profit, all distributable net statutory profit should be distributed by appropriating the second legal reserve.

The second reserve is appropriated out of the net distributable profit at the rate of (1/11) upon the decision to distribute the whole amount of distributable profit.

As of 31 March 2008, the Company’s legal reserves are TRY142.920. (31 December 2007: TRY142.920).

**NOTE 20– NET SALES**

	<b>31 March 2008</b>	<b>31 March 2007</b>
Domestic sales	961.319	1.140.414
Foreign Sales	712.023	636.461
<b>Gross Sales</b>	<b>1.673.342</b>	<b>1.776.875</b>
Less: Discounts	(138.029)	(141.200)
<b>Net sales</b>	<b>1.535.313</b>	<b>1.635.675</b>

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NOTE 21– RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING  
AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	31 March 2008	31 March 2007
<b>a) Marketing, selling and distribution expenses:</b>		
Transportation and warehousing expenses	57.712	54.905
Warranty and assembly expenses	55.388	69.911
Advertising expenses	37.306	32.156
Personnel expenses	29.555	28.684
Depreciation expenses	1.923	2.557
Other	31.951	21.765
	<b>213.835</b>	<b>209.978</b>
<b>b) General administrative expenses:</b>		
Personnel expenses	33.636	31.511
Benefits and services received from third parties	16.118	17.334
Depreciation expenses	4.681	5.696
Rent expenses	2.727	2.967
Energy and maintenance expenses	2.040	1.816
Other	16.889	13.173
	<b>76.091</b>	<b>72.497</b>
<b>c) Research and development expenses:</b>		
Personnel expenses	5.984	11.818
Depreciation expenses	2.454	969
Other	2.814	5.240
	<b>11.252</b>	<b>18.027</b>

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**NOTE 22– EXPENSES CLASSIFIED BY NATURE**

	<b>31 March 2008</b>	<b>31 March 2007</b>
Raw material and supply expenses	1.097.407	1.069.531
Changes in semi-finished goods and finished goods inventories	(164.514)	(90.239)
Benefits and expenses paid to employees	162.821	150.181
Transportation and warehousing expenses	63.444	60.395
Warranty and assembly expense	55.388	69.911
Depreciation and amortization expenses	42.955	39.285
Advertising expenses	37.191	32.156
Energy and maintenance expenses	22.734	19.723
Other expenses	127.691	109.698
	<b>1.445.117</b>	<b>1.460.641</b>

**NOTE 23– OTHER OPERATING INCOME AND EXPENSES**

	<b>31 March 2008</b>	<b>31 March 2007</b>
<b>Other income</b>		
Income from claims and grants	6.443	1.084
Reversal of provisions	5.833	5.335
Income from licenses	977	599
Gains from sale of property, plant and equipment	173	-
Other	3.257	4.576
	<b>16.683</b>	<b>11.594</b>
<b>Other expenses</b>		
Provision for impairment on inventories	1.827	2.675
Provision for doubtful receivables	1.383	300
Other	2.965	2.921
	<b>6.175</b>	<b>5.896</b>

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**NOTE 24– FINANCIAL INCOME**

	<b>31 March 2008</b>	<b>31 March 2007</b>
Foreign exchange gains	211.156	28.392
Credit finance income	43.287	40.591
Interest income from bank deposits	4.718	5.152
Other	885	4.478
<b>Finance income</b>	<b>260.046</b>	<b>78.613</b>

**NOTE 25– FINANCIAL EXPENSE**

	<b>31 March 2008</b>	<b>31 March 2007</b>
Foreign exchange loss	178.973	29.469
Interest expenses	101.663	79.220
Credit finance charges	21.496	59.145
Cash discounts expenses	5.960	4.507
Other	4.581	5.083
<b>Finance expenses</b>	<b>312.673</b>	<b>177.424</b>

**NOTE 26– TAX ASSETS and LIABILITIES**

	<b>31 March 2008</b>	<b>31 December 2007</b>
Corporate and income taxes	9.707	41.293
Less: prepaid tax	(21.707)	(36.552)
<b>Taxes (receivable )/ payable (net)</b>	<b>(12.000)</b>	<b>4.741</b>
<b>Deferred tax liabilities (net)</b>	<b>32.369</b>	<b>682</b>
	<b>20.369</b>	<b>5.423</b>
Deferred tax assets	61.641	53.812
Deferred tax liabilities	(96.899)	(54.494)
<b>Deferred tax (liabilities) / assets, net</b>	<b>(35.258)</b>	<b>(682)</b>

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

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**NOTE 26– TAX ASSETS AND LIABILITIES (Continued)**

The breakdown of cumulative temporary differences and the resulting deferred tax assets / (liabilities) provided for the period ended 31 March 2008 and for the year ended at 31 December using the applicable future tax rates is as follows:

	<u>Cumulative temporary differences</u>		<u>Deferred tax assets/(liabilities)</u>	
	31 March 2008	31 December 2007	31 March 2008	31 December 2007
Property, plant and equipment and intangible assets	634.410	427.903	(132.605)	(81.962)
Available-for-sale investments	462.762	463.946	(23.138)	(23.197)
Unused tax credit	(170.531)	(198.643)	39.209	39.714
Unearned credit finance income	(110.468)	(14.962)	22.138	3.020
Provision for warranty and assembly	(110.522)	(160.747)	22.104	31.993
Provision for employment termination benefits	(59.250)	(55.118)	11.830	11.010
Provision for doubtful receivables	(43.590)	(39.704)	8.718	7.941
Provision for impairment on inventories	(26.118)	(29.906)	8.174	5.981
Accrual for export sales expenses	(9.724)	(10.331)	1.945	2.066
Other	(54.534)	(5.213)	6.367	2.752
<b>Deferred tax assets / (liabilities), net</b>			<b>(35.258)</b>	<b>(682)</b>

	31 March 2008	31 March 2007
<b>Balance at the 1 January</b>	<b>(682)</b>	<b>23.771</b>
Charged to income statement	4.555	7.388
Acquisition	(21.613)	-
Fair value increase due to acquisition	(18.284)	-
Translation differences	766	(363)
<b>Balance at 31 March</b>	<b>(35.258)</b>	<b>30.796</b>

**NOTE 27– EARNINGS PER SHARE**

The profit / (loss) attributable to each class of share for the period ended 31 March are as follows:

	31 March 2008	31 March 2007
Net income	55.333	74.023
Weighted average number of ordinary shares with nominal value of TRY1 each	399.960.000	399.960.000
<b>Earnings per share (TRY)</b>	<b>0.138</b>	<b>0.185</b>

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NOTE 28– RELATED PARTY DISCLOSURES

	31 March 2008	31 March 2007
<b>Due from related parties</b>		
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	65.438	76.094
Ram Dış Ticaret A.Ş.	43.706	67.341
Zer Merkezi Hizmetler ve Ticaret A.Ş.	25.271	17.210
Ram Sigorta Aracılık Hizmetleri A.Ş.	12.663	13.833
Palmira Turizm Ticaret A.Ş.	3.425	3.359
Setur Servis Turistik A.Ş.	1.356	1.287
Ram Pacific Ltd.(*)	-	39.371
Türk Demir Döküm Fabrikaları A.Ş.(*)	-	11.962
Other	15.762	12.046
	<b>167.621</b>	<b>242.503</b>
Less: Finance expense from related parties	(6.053)	(4.951)
	<b>161.568</b>	<b>237.552</b>

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

	31 March 2008	31 March 2007
<b>Due to related parties:</b>		
Ram Dış Ticaret A.Ş.	39.186	34.449
Grundig Multimedia B.V.	28.516	26.855
Akpa Dayanıklı Tüketim	18.682	28.649
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	3.730	3.677
Other	8.014	9.195
	<b>98.128</b>	<b>102.825</b>

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NOTE 28– RELATED PARTY DISCLOSURES (Continued)

	31 March 2008	31 December 2007
<b>Short term trade receivables – due from related parties</b>		
Ram Dış Ticaret A.Ş.	49.062	47.503
Akpa Dayanıklı Tüketim Mal. San. Tic. Ltd. Şti.	25.405	25.609
Grundig Multimedia B.V.	-	92.317
Other	14.319	4.542
	<b>88.786</b>	<b>169.971</b>

	31 March 2008	31 December 2007
<b>Short term trade payables – due to related parties</b>		
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	67.252	22.824
Ram Dış Ticaret A.Ş.	38.765	45.792
Zer Merkezi Hizmetler ve Ticaret A.Ş.	22.720	26.559
Other	1.142	13.545
	<b>129.879</b>	<b>108.720</b>

	31 March 2008	31 December 2007
<b>Long term trade payables – due to related parties</b>		
Zer Merkezi Hizmetler ve Ticaret A.Ş.	64.760	60.038

**Benefits provided to the key management**

As of 31 March 2008, total benefits provided to key management personnel by the Company amount to TRY2.462 (31 March 2007: TRY2.227).

NOTE 29– NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL  
INSTRUMENTS

**Financial instruments and financial risk management**

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

**Interest rate risk**

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

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**NOTE 29– NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL  
INSTRUMENTS (Continued)**

***Funding Risk***

Cash flow originating from amount and term of borrowing repayments is managed by considering the amount of free cash flow from its operations. Hence, on one hand it is possible to pay debts with the cash generated from operating activities when necessary, and on the other hand sufficient and reliable sources of high quality loans are accessible.

***Credit risk***

Credit risk arising from trade receivables, is managed by using instruments such as receivable insurance, bank collaterals and mortgages. Additionally, the majority of these receivables are from authorised dealers where the Company has effective controlling procedures in place. Credit risk on dealer basis is monitored closely by the senior management and is restricted when necessary. A record of Group’s long term relations established with the dealers and the amount of uncollected receivables being at a low level is a consequence of the credit risk management.

***Foreign exchange rate risk***

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

The Group is exposed to foreign exchange risk primarily with respect to EUR, USD, GBP, RON and RUB.

The foreign exchange risk analysis of the Group is as follows:

At 31 March 2008, if aforementioned currencies have strengthened/weakened by 10% against TRY with all other variables held constant, income before taxes and minority interest would have been TRY17.133 lower/ higher as a result of foreign exchange gains and losses on the net foreign currency position.

TRY equivalents of net foreign currency (“F/X”) position of the Group excluding new Turkish lira are as follows.

	<b>31 March 2008</b>	<b>31 December 2007</b>
Assets	2.180.929	1.887.383
Liabilities	(2.003.959)	(1.730.987)
Net position of derivative financial instruments	(5.640)	(199)
<b>Net foreign currency position</b>	<b>171.330</b>	<b>156.197</b>

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**NOTE 29– NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL  
INSTRUMENTS (Continued)**

Assets and liabilities denominated in foreign currency at 31 March 2008 and 31 December 2007 are as follows:

F/X	31 March 2008		31 December 2007	
	F/X Amount (Thousand)	TRY Equivalent	F/X Amount (Thousand)	TRY Equivalent
<b>Cash and cash equivalents</b>				
EUR	126.936	255.852	97.827	167.304
USD	26.622	33.983	14.156	16.487
RON	27.817	15.041	23.481	11.123
GBP	5.621	14.324	12.904	30.014
PLN	17.304	9.833	13.666	6.445
RUB	61.607	3.350	131.618	6.264
SEK	15.550	3.330	3.309	600
RMB	12.531	2.304	40.838	6.594
NOK	8.525	2.129	1.918	411
Other	-	4.035	-	3.136
<b>Trade Receivables</b>				
EUR	293.690	591.962	272.898	466.709
USD	234.546	299.399	322.591	375.722
GBP	39.155	99.778	40.452	94.086
RUB	1.156.419	62.882	1.306.221	62.168
RON	82.678	44.706	115.037	54.495
PLN	70.408	40.011	66.674	31.445
NOK	78.343	19.566	32.999	7.076
CZK	130.330	10.351	89.275	5.725
HUF	1.067.879	8.304	871.140	5.832
Other	-	14.242	-	13.539
<b>Inventories</b>				
EUR	109.550	220.808	94.448	161.525
RON	133.924	72.416	94.828	44.921
GBP	27.777	70.785	27.431	63.801
RUB	1.155.828	62.850	1.304.490	62.086
USD	44.225	56.454	47.414	55.223
RMB	27.354	5.029	25.506	4.119
PLN	8.114	4.611	11.358	5.357
NOK	17.008	4.248	4.443	953
HUF	266.082	2.069	183.783	1.230
Other	-	2.643	-	2.169
<b>Other current assets</b>				
EUR	8.449	17.031	5.188	8.872
RUB	105.689	5.747	172.325	8.202
GBP	1.666	4.246	141	327
NOK	4.911	1.227	492	106
Other	-	2.771	-	2.100
<b>Deferred tax assets</b>				
RUB	49.164	2.673	24.988	1.189
PLN	2.081	1.183	1.626	767
GBP	112	286	112	261

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**NOTE 29– NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL  
INSTRUMENTS (Continued)**

<b>Financial assets held to maturity</b>					
	USD	84.975	108.470	85.000	99.000
<b>Total assets</b>					
	EUR	538.625	1.085.653	470.361	804.410
	USD	390.368	498.306	469.161	546.432
	GBP	74.331	189.419	81.040	188.489
	RUB	2.528.707	137.502	2.939.642	139.909
	RON	245.730	132.872	234.346	111.013
	PLN	98.276	55.848	94.219	44.436
	NOK	108.787	27.170	39.852	8.546
	CZK	159.229	12.646	118.110	7.574
	HUF	1.460.894	11.360	1.100.821	7.370
	RMB	60.412	11.107	90.738	14.651
	SEK	34.716	7.434	26.542	4.811
	SKK	68.770	4.234	77.053	3.901
	CHF	3.281	4.206	2.281	2.353
	DKK	10.820	2.924	9.895	2.269
	Other	-	248	-	1.219
			<b>2.180.929</b>		<b>1.887.383</b>
<b>Liabilities</b>					
<b>Short and long-term financial borrowings</b>					
	EUR	282.402	569.210	279.596	478.165
	USD	302.672	386.361	268.679	312.930
	GBP	36.116	92.035	35.250	81.987
	RUB	1.034.014	56.226	1.068.338	50.846
	RON	117	63	137	65
	RMB	-	-	10.182	1.644
<b>Short and long-term trade payables</b>					
	USD	284.392	363.026	269.649	314.060
	EUR	95.994	193.486	113.994	194.952
	GBP	8.328	21.221	5.289	12.301
	RON	25.604	13.844	33.415	15.829
	RUB	266.468	14.490	291.815	13.889
	RMB	41.207	7.575	55.509	8.963
	PLN	2.547	1.448	6.892	3.251
	NOK	5.657	1.413	1.956	419
	Other		2.765		2.095
<b>Short and long-term other liabilities</b>					
	EUR	83.880	169.070	47.492	81.221
	GBP	12.550	31.982	17.021	39.588
	RON	43.238	23.380	45.038	21.335
	PLN	20.759	11.797	14.995	7.072
	USD	8.672	11.070	62.964	73.334
	NOK	29.228	7.300	13.564	2.909
	RUB	91.037	4.950	33.508	1.595
	CZK	32.946	2.617	29.355	1.883
	SEK	9.427	2.019	9.619	1.744
	Other		5.376		3.016

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**NOTE 29– NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL  
INSTRUMENTS (Continued)**

	F/X	31 March 2008		31 December 2007	
		F/X Amount (Thousand)	TRY Equivalent	F/X Amount (Thousand)	TRY Equivalent
<b>Deferred tax liability</b>					
	EUR	3.302	6.656	934	1.597
	RON	8.186	4.426	7.950	3.766
	Other		153		531
<b>Total liabilities</b>					
	EUR	465.579	938.421	442.016	755.935
	USD	595.737	760.458	601.292	700.324
	GBP	57.055	145.392	57.636	134.053
	RUB	1.391.520	75.666	1.401.057	66.682
	RON	77.145	41.714	86.540	40.995
	PLN	23.306	13.245	21.891	10.325
	NOK	34.885	8.713	15.520	3.328
	RMB	42.681	7.846	64.377	10.395
	SEK	13.718	2.937	12.902	2.339
	CZK	35.797	2.843	37.922	2.432
	HUF	320.747	2.494	248.145	1.661
	CHF	1.160	1.487	855	882
	SKK	22.252	1.370	18.395	931
	DKK	4.570	1.235	2.425	556
	Other		138		149
			<b>2.003.959</b>		<b>1.730.987</b>
<b>Net position of hedging instruments</b>					
	EUR	(47.448)	(95.636)	(35.533)	(60.769)
	USD	86.224	110.065	62.161	72.399
	GBP	(4.000)	(10.193)	-	-
	PLN	(17.378)	(9.876)	(25.081)	(11.829)
			<b>(5.640)</b>		<b>(199)</b>
<b>Net foreign currency position</b>					
	EUR	25.598	51.596	(7.188)	(12.294)
	USD	(119.144)	(152.087)	(69.970)	(81.493)
	GBP	13.276	33.834	23.404	54.436
	RUB	1.137.187	61.836	1.538.585	73.227
	RON	168.585	91.158	147.806	70.018
	PLN	57.592	32.727	47.247	22.282
	NOK	73.902	18.457	24.332	5.218
	RMB	17.731	3.261	26.361	4.256
	SEK	20.998	4.497	13.640	2.472
	CZK	123.432	9.803	80.188	5.142
	HUF	1.140.147	8.866	852.676	5.709
	CHF	2.121	2.719	1.426	1.471
	SKK	46.518	2.864	58.658	2.970
	DKK	6.250	1.689	7.470	1.713
	Other	-	110	(13.069)	1.070
			<b>171.330</b>		<b>156.197</b>

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**NOTE 29– NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL  
INSTRUMENTS (Continued)**

For the three month period ended 31 March 2008, amount of imports to Turkey is TRY469.817 (01 January-31 March 2007: TRY440.854), amount of exports from Turkey is TRY622.852 (01 January-31 March 2007: TRY613.834).

As of 31 March 2008, the hedging rate of total foreign currency liabilities of the Group is 109% (31 December 2007: 109%).

***Fair value of financial instruments***

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

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

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

***Monetary assets***

The fair values of balances denominated in foreign currencies, which are translated at year-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 with reference to market values, approximate carrying values.

***Monetary liabilities***

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

Trading liabilities, derivatives have been estimated at their fair values.

Borrowings that are denominated in foreign currencies are translated at year-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.

***Capital Risk Management***

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

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**NOTE 29– NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL  
INSTRUMENTS (Continued)**

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

The net debt/total capital ratio as at 31 March 2008 and 31 December 2007 are as follows:

	<b>31 March 2008</b>	<b>31 December 2007</b>
Total liabilities	4.651.168	4.381.069
Cash and cash equivalents	(383.981)	(302.492)
Net debt	4.267.187	4.078.577
Total shareholder’s equity	2.332.206	2.145.730
Invested capital	6.599.393	6.224.307
<b>Net debt/total capital ratio</b>	<b>%64.7</b>	<b>%65.5</b>

**NOTE 30– FINANCIAL INSTRUMENTS**

**Derivative financial instruments and embedded derivatives**

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

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

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

**NOTE 31– SUBSEQUENT EVENTS**

- a) In the ordinary meeting of shareholders held on 3 April 2008; it was decided to pay TRY99.990 dividends to shareholders beginning on 12 May 2008 Monday.
- b) It was decided that Beko Elektronik LLC, a subsidiary engaged in the production and sales of televisions in Russia, would cease production of CRT televisions.
- c) In relation to the share capital increase of Koç Finansal Hizmetler A.Ş. in cash amounting TRY500.000 from TRY2.511.275 to TRY3.011.275 decided in the extraordinary meeting of shareholders held on 15 May 2008, the Group has decided to use preference rights regarding Group’s share of capital increase amounting TRY38.296.

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

**ARÇELİK ANONİM ŞİRKETİ**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
AS AT AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2008**

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

**NOTE 32– OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL  
STATEMENTS OR OTHER ISSUES REQUIRED FOR THE CLEAR UNDERSTANDING  
OF FINANCIAL STATEMENTS**

Consolidated statements of cash flows are presented within the consolidated financial statements.

“Changes in accruals and provisions” and “changes in operating assets and liabilities” shown in the consolidated statements of cash flows for the periods ended 31 March are as follows:

	<b>31 March 2008</b>	<b>31 March 2007</b>
<b>Changes in provisions and accruals</b>		
Provision for assembly and transportation expenses	(8.272)	6.887
Warranty provision	910	(7.784)
Provision for employment termination benefits	4.309	52
Accruals for bonus and premiums	(1.115)	1.578
Accruals for customer premiums	38.039	24.441
Accrual for sales expenses and other provisions	34.693	28.020
	<b>68.564</b>	<b>53.194</b>
<b>Changes in operating assets and liabilities:</b>		
Trade receivables and due from related parties	176.152	119.990
Inventories	(133.310)	(80.333)
Other current assets and liabilities	(71.627)	(62.811)
Other non-current assets and liabilities	2.947	(514)
Trade payables and due to related parties	(131.986)	(199.768)
	<b>(157.824)</b>	<b>(223.436)</b>