ARÇELİK ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2005 TOGETHER WITH AUDITOR'S REVIEW REPORT

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT 30 JUNE 2005

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ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED INTERIM BALANCE SHEETS AT 30 JUNE 2005 AND 31 DECEMBER 2004

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

	Notes	30 June 2005	31 December 2004
ASSETS			
Current assets			
Cash and cash equivalents	4	272.599	258.953
Marketable securities	5	-	38.305
Trade receivables (net)	7	1.433.334	1.310.900
Lease receivables (net)	8	37	83
Due from related parties (net)	9	137.593	102.238
Other receivables (net)	10	-	-
Biological assets (net)	11	-	-
Inventories (net)	12	632.929	727.195
Construction contract receivables (net)	13	-	-
Deferred tax assets	14	-	-
Other current assets	15	35.170	68.859
Total current assets		**2.511.662**	**2.506.533**
Non-current assets			
Trade receivables (net)	7	5.481	2.127
Lease receivables (net)	8	-	-
Due from related parties (net)	9	-	-
Other receivables (net)	10	-	-
Financial assets (net)	16	276.779	281.853
Goodwill / negative goodwill (net)	17	47.215	43.312
Investment properties (net)	18	-	-
Property, plant and equipment (net)	19	635.536	641.996
Intangible assets (net)	20	10.964	13.645
Deferred tax assets	14	927	780
Other non-current assets	15	-	-
Total non-current assets		**976.902**	**983.713**
Total assets		**3.488.564**	**3.490.246**

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

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED INTERIM BALANCE SHEETS AT 30 JUNE 2005 AND 31 DECEMBER 2004

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

	Notes	30 June 2005	31 December 2004
LIABILITIES			
Current liabilities			
Short-term bank borrowings	6	158.099	16.158
Current maturities of long-term bank borrowings	6	113.173	96.221
Lease payables (net)	8	2.274	2.128
Other financial liabilities (net)	10	72.909	51.374
Trade payables (net)	7	272.624	407.319
Due to related parties (net)	9	422.427	517.946
Advances received	21	363	192.634
Construction contracts progress billings (net)	13	-	-
Provisions	23	16.502	-
Deferred tax liabilities	14	-	-
Other current liabilities (net)	15	263.599	171.068
Total current liabilities		**1.321.970**	**1.454.848**
Non-current liabilities			
Long-term bank borrowings (net)	6	442.031	209.820
Lease payables (net)	8	5.570	6.217
Other financial liabilities (net)	10	17.169	12.196
Trade payables (net)	7	-	-
Due to related parties (net)	9	-	-
Advances received	21	-	-
Provisions	23	39.845	39.502
Deferred tax liabilities	14	21.371	33.622
Other non-current liabilities (net)	15	26.680	27.368
Total non-current liabilities		**552.666**	**328.725**
Total liabilities		**1.874.636**	**1.783.573**
MINORITY INTEREST	24	20.328	22.019
SHAREHOLDERS' EQUITY			
Share capital	25	399.960	399.960
Treasury shares	25	-	-
Capital reserves	26	1.018.241	1.018.241
Share premium		256.707	256.707
Share cancellation gains		-	-
Revaluation fund		-	-
Financial assets fair value reserve		12.550	12.550
Inflation adjustment to shareholders' equity		748.984	748.984
Profit reserves	27	10.220	(14.198)
Legal reserves		31.359	-
Statutory reserves		-	-
Extraordinary reserves		-	-
Special reserves		-	-
Investment and property sales income to be added to the capital		-	-
Translation reserve		(21.139)	(14.198)
Current year profit		140.589	293.201
Retained earnings/(Accumulated deficits)	28	24.590	(12.550)
Total shareholders' equity		**1.593.600**	**1.684.654**
Total shareholders' equity and liabilities		**3.488.564**	**3.490.246**
Commitments and contingent liabilities	31		

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED INTERIM STATEMENTS OF INCOME FOR THE PERIODS ENDED 30 JUNE

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

	Notes	1 January - 30 June 2005	1 January - 30 June 2004	1 April - 30 June 2005	1 April- 30 June 2004
Operating revenue					
Net sales	36	2.417.226	2.367.193	1.272.139	1.301.249
Cost of sales (-)		(1.844.825)	(1.760.762)	(968.032)	(964.989)
Gross operating profit		**572.401**	**606.431**	**304.107**	**336.260**
Operating expenses (-)	37	(401.275)	(397.037)	(212.742)	(218.170)
Net operating profit		**171.126**	**209.394**	**91.365**	**118.090**
Other income	38	9.443	18.124	4.253	10.200
Other expenses	38	(6.734)	(12.526)	(4.953)	(7.926)
Financial income/(expenses), net	39	9.639	18.745	(666)	13.575
(Loss)/income from associates, net		(4.530)	1.289	(2.657)	3.174
Income before monetary loss, taxes and minority interests		**178.944**	**235.026**	**87.342**	**137.113**
Monetary loss	40	-	(36.289)	-	(3.567)
Income before tax and minority interest		**178.944**	**198.737**	**87.342**	**133.546**
Minority interest	24	(2.358)	(2.109)	(1.182)	(1.312)
Income before tax		**176.586**	**196.628**	**86.160**	**132.234**
Taxes on income	41	(35.997)	(74.353)	(13.418)	(46.296)
Net income		**140.589**	**122.275**	**72.742**	**85.938**
Earnings per share (YTL)	42	0,352	0,306	0,182	0,215

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

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED 30 JUNE

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

	Notes	30 June 2005	30 June 2004
Operating activities:			
Net income		**140.589**	**122.275**
Adjustments for:			
Increases and decreases in accruals and provisions	43	57.795	77.207
Depreciation and amortisation	19,20	72.700	70.033
Amortisation of goodwill, net		-	2.861
Interest income	39	(12.749)	(29.238)
Interest expense	39	17.397	10.020
(Loss)/income from investment in associated companies, net	9	4.530	(1.289)
Net loss from sales of property, plant and equipment, intangible assets, and subsidiary	38	234	954
Minority interest	24	2.358	2.109
Taxation expenses	41	35.997	74.353
Net cash provided by operating activities before changes in operating assets and liabilities		**318.851**	**329.285**
Changes in operating assets and liabilities, net	43	(403.291)	(172.771)
Income and corporate taxes paid	41	(9.481)	(38.057)
Net cash provided by operating activities		**(93.921)**	**118.457**
Investing activities:			
Cash provided from sale of tangible and intangible assets		1.369	5.599
Acquisition of tangible and intangible assets	19,20	(68.542)	(67.414)
Increase/(decrease) in investment securities		543	(12.184)
Net cash used in investing activities		**(66.630)**	**(73.999)**
Financing activities:			
Interest received		11.276	21.539
Interest paid		(20.819)	(10.544)
Dividends paid		(231.487)	(2.514)
Increase/(decrease) in bank borrowings, net		394.875	(16.320)
Net cash used in financing activities		**153.845**	**(7.839)**
Effect of exchange rate changes		(4.655)	(1.954)
Net (decrease)/increase in cash and cash equivalents		**(11.361)**	**34.665**
Cash and cash equivalents at the beginning of the period		**283.960**	**345.329**
Cash and cash equivalents at the end of the period		**272.599**	**379.994**

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

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTH PERIODS ENDED 30 JUNE

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

	Capital reserves				Profit reserves			Retained earnings			
	Share capital	Share premium	Inflation adjustment to shareholders' equity	Financial assets fair value reserve	Legal reserves	Extraordinary reserves	Translation reserve	Retained earnings	Net income for the period	Total	Shareholders' equity
Balance at 1 January 2004 – previously reported	**399.960**	**256.802**	**1.701.391**	**-**	**33.762**	**98.994**	**(9.861)**	**(1.258.153)**	**172.895**	**(1.085.258)**	**1.395.790**
Change in accounting policy - IAS 39 (Note 2)	-	-	-	10.750	-	-	-	(10.750)	-	(10.750)	-
Balance at 1 January 2004 – as restated	**399.960**	**256.802**	**1.701.391**	**10.750**	**33.762**	**98.994**	**(9.861)**	**(1.268.903)**	**172.895**	**(1.096.008)**	**1.395.790**
Transfers	-	-	-	-	-	-	-	172.895	(172.895)	-	-
Cumulative translation differences	-	-	-	-	-	-	(1.989)	-	-	-	(1.989)
Net income for the period	-	-	-	-	-	-	-	-	122.275	122.275	122.275
Balance at 30 June 2004– as restated	**399.960**	**256.802**	**1.701.391**	**10.750**	**33.762**	**98.994**	**(11.850)**	**(1.096.008)**	**122.275**	**(973.733)**	**1.516.076**
Balance at 1 January 2005– previously reported	**399.960**	**256.707**	**748.984**	**-**	**-**	**-**	**(14.198)**	**-**	**293.201**	**293.201**	**1.684.654**
Change in accounting policy - IAS 39 (Note 2)	-	-	-	12.550	-	-	-	(12.550)	-	(12.550)	-
Change in accounting policy - IFRS 3 (Note 2)	-	-	-	-	-	-	-	4.475	-	4.475	4.475
Balance at 1 January 2005 – as restated	**399.960**	**256.707**	**748.984**	**12.550**	**-**	**-**	**(14.198)**	**(8.075)**	**293.201**	**285.126**	**1.689.129**
Transfers	-	-	-	-	-	-	-	293.201	(293.201)	-	-
Dividend paid	-	-	-	-	31.359	-	-	(260.536)	-	(260.536)	(229.177)
Cumulative translation differences	-	-	-	-	-	-	(6.941)	-	-	-	(6.941)
Net income for the period	-	-	-	-	-	-	-	-	140.589	140.589	140.589
Balance at 30 June 2005	**399.960**	**256.707**	**748.984**	**12.550**	**31.359**	**-**	**(21.139)**	**24.590**	**140.589**	**165.179**	**1.593.600**

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

NOTE 1 - ORGANISATION AND PRINCIPAL ACTIVITIES

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

The Company is registered with the Capital Markets Board ("CMB") and its shares have been quoted on the Istanbul Stock Exchange since 1986. At 30 June 2005 the shares quoted on the Istanbul Stock Exchange are approximately 21,29% of the total shares. At 30 June 2005, the principal shareholders and their respective shareholdings in the Company are as follows (Note 25):

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

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

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

The Company performs export sales directly and through Ram Dış Ticaret A.Ş. ("Ram Dış Ticaret").

The number of employees of the Group is 10.725 (31 December 2004: 10.283).

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Accounting policies

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

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

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

Financial reporting in hyperinflationary periods

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

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

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

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

Dates	Index	Conversion factors	Cumulative three-year inflation rates (%)
31 December 2004	8.403,8	1,000	69,7
30 June 2004	7.982,7	1,053	110,3
31 December 2003	7.382,1	1,138	181,1

New Turkish lira

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

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

As stated in the announcement of CMB dated 30 November 2004, financial statements for the period ended 30 June 2005, including the prior period financial data which will be used for comparison purposes, are presented in YTL, and prior period financial statements are to be presented in YTL only for comparative purposes.

Translation of foreign subsidiary financial statements

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

Group Accounting

(a) The consolidated financial statements include the accounts of the parent company, Arçelik, and its Subsidiaries and Associates on the basis set out in sections (b), (c) and (d) below. The financial statements of the companies included in the consolidation have been prepared as of the date of the consolidated interim 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 (YTL) 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 has power to exercise control over the financial and operating policies.

The balance sheets and statements of income of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Arçelik and its Subsidiaries is eliminated against the related shareholders' equity. Intercompany transactions and balances between Arçelik and its Subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Arçelik in its Subsidiaries are eliminated from shareholders' equity and income for the period, respectively.

The table below sets out all Subsidiaries included in the scope of consolidation and shows their shareholding structure at 30 June 2005 and 31 December 2004:

	Direct and indirect control by Arçelik and its Subsidiaries (%) 30 June 2005	**Direct and indirect control by Arçelik and its Subsidiaries (%) 31 December 2004**
Beko Polska S.A. ("Beko Polska")	100,00	100,00
Artesis Teknoloji Sistemleri A.Ş. ("Artesis") (*)	-	65,00
Beko France S.A. ("Beko France")	99,94	99,94
Ardutch B.V. ("Ardutch")	100,00	100,00
Beko Deutschland GmbH ("Beko Deutschland")	100,00	100,00
Beko Electronics Espana S.L ("Beko Espana")	99,97	99,97
Blomberg Werke GmbH ("Blomberg Werke")	100,00	100,00
Blomberg Vertriebsgesellschaft GmbH ("Blomberg Vertrieb")	100,00	100,00
Elektra Bregenz ("Elektra Bregenz")	100,00	100,00
Raupach Wollert GmbH ("Raupach")	100,00	100,00
SC Arctic SA ("Arctic")	94,85	94,85
Beko Plc.	50,00	50,00
Sherbrook International Limited ("Sherbrook")	55,00	55,00

(*) Artesis, incorporated in Turkey in 1999, is engaged in developing technology and its application. Artesis, a Subsidiary of the Group, has been sold at 16 June 2005 and is excluded from the scope of consolidation at the date that the Group's control ceased. Following the sales transaction, the Group has recognised the subsidiary sales loss in the consolidated income statement as of 30 June 2005 (Note 38).

Beko Polska, incorporated in Poland, was established to market and sell durable consumer goods.

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

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

Beko Deutschland, incorporated in Germany, is engaged in trading with all kinds of brown goods, white goods, electro motors inclusive of import and exports.

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

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

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

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

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

Elektra Bregenz was incorporated in Austria in the year 1992. The company is engaged in trading white goods and household products such as cookers, hobs, hoods, ovens, fridges and accessories.

Raupach was incorporated for the purpose of administration of property, either for its own interests or a third person, the purchase of holdings of other companies and all related business in the interest of the company.

Arctic, incorporated in Romania, is engaged in the production of refrigerator and trading of white goods.

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

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

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

The table below sets out the Associates and shows their shareholding ratio at 30 June 2005 and 31 December 2004:

	Direct and indirect control by Arçelik and its Subsidiaries (%) 30 June 2005	**Direct and indirect control by Arçelik and its Subsidiaries (%) 31 December 2004**
Beko Elektronik A.Ş. ("Beko Elektronik")	22,36	22,36
Ram Dış Ticaret A.Ş. ("Ram Dış Ticaret")	28,26	28,26
Koç Tüketici Finansmanı ve Kart Hizmetleri A.Ş. ("Koç Tüketici Finans")	41,18	41,18
Arçelik-LG Klima Sanayi ve Ticaret A.Ş. ("Arçelik - LG")	45,00	45,00
Tanı Pazarlama ve İletişim Hizmetleri A.Ş. ("Tanı Pazarlama")	32,00	32,00
Ram Pacific Ltd. ("Ram Pacific")	25,00	25,00

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

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

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

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

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

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

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

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

Available-for-sale investments in which Arçelik and its Subsidiaries have attributable interests of more than 20%, which are immaterial for Arçelik's financial position, operation results and net assets, are not included in the scope of consolidation.

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

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

Comparatives

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

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

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

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

The Group recognised such gains and losses on available-for-sale financial assets in the statement of income until 31 December 2004. As a result of the revision in IAS39, the Group applied the accounting policy change retrospectively, and adjusted all related comparative financial information.

Furthermore; according to IFRS3 ("Business Combinations"), the carrying value of previously recognised negative goodwill is derecognised at the begining of the period, with a corresponding adjustment to the opening balance of retained earnings (Note 3 - Goodwill and amortization of goodwill).

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.

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

As of 30 June 2005, the accounting principles described in Note 2.1 (defined as CMB Accounting Standards) differ from IFRS issued by the International Accounting Standards Board with respect to the application of inflation accounting, presentation of the basic financial statements and the notes to them. Accordingly, these financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

Credit finance income/charges

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

Loans and provisions for loan impairment

Loans originated by the Company by providing money directly to a borrower, other than those that are originated with the intent to be sold immediately or in the short-term, are classified as loans to banks under cash and cash equivalents (Note 5, 16). All loans are recognised when cash is advanced to the borrowers and measured at amortised cost.

When the loan is originated by the Company 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 Company. Such originated loans where original maturity at the time the money is directly transferred to the bank is less than three months, are considered and classified as cash equivalents for the purposes of statement of cash flows.

A credit risk provision for loan impairment is established if there is objective evidence that the Company 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 bad and doubtful debt expense.

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

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 designation on a regular basis. The unrealised gains and losses arising from changes in the fair value of avaliable-for-sale securities are recognised in equity (Note 16).

All purchases and sales of investments securities are recognised on the trading date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs. Available-for-sale investments that have quoted market prices in active markets and whose fair values can be reliably measured are subsequently carried at fair value, whilst held-to-maturity investments are carried at amortised cost using the effective yield method. Available-for-sale investments that do not have quoted market prices in active markets and whose fair values cannot be reliably measured are stated at cost.

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).

Property, plant, equipment and depreciation

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

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

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

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

Intangible assets

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill and amortisation of goodwill

The Group recognised goodwill and negative goodwill, arising from acquisitions before 31 March 2004, which represent the difference between the acquisition cost and the share of the Group in the fair value of the underlying net assets acquired, and used to amortised them over their estimated useful lives using the straight-line method, in its consolidated financial statements until 31 December 2004. IFRS 3 – "Business Combinations", prohibits amortisation of goodwill acquired in business combinations after 31 March 2004 and requires the goodwill to be tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

In accordance with IFRS 3, (a) from the beginning of the first annual period beginning on or after 31 March 2004 (1 January 2005), the Group ceased amortisation of the goodwill arising from the acquisitions before 31 March 2004. Any impairment related to goodwill in subsequent periods shall be recognised in the statement of income; (b) excess of the Group's interest in the fair value of the identifiable assets and liabilities acquired over the cost of business combination shall be immediately recognised in the statement of income. The carrying value of the negative goodwill from the acquisitions before 31 March 2004 was 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 17).

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 to the statement of loss. Depreciation on the relevant asset is also charged to the statement of income over its useful life.

Operating leases

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

(2) The Group as the lessor

Finance leases

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating leases

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

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).

Deferred income taxes

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

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

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

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

Employment termination benefits

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

Foreign currency transactions

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Interest income

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

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

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

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).

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).

Investment, research and development incentives

Investment grants are recognised when the Company's incentive claims are approved by the related authorities and research and development incentives.

Share premium

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments and financial risk management

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

Interest rate risk

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

Funding risk

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

Credit risk

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

Foreign currency risk

The Group is exposed to foreign currency risk through the impact of rate changes on the translation of YTL 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 in Turkey. However, judgement is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Monetary assets

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

The fair values of certain financial assets carried at cost, including cash and cash equivalents and held to maturity investments plus the respective accrued interest are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses.

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

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

Monetary liabilities

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

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

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

Provisions

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

Contingent assets and liabilities

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

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Earnings per share

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

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

There are no bonus shares issued during the period.

Reporting of cash flows

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

The analysis of cash and cash equivalents included in the consolidated statements of cash flows for the year ended 30 June is as follows:

	30 June 2005	30 June 2004
Cash, cheques on hand, bank deposits and other liquid assets (Note 4)	272.599	321.868
Loan to banks, where remaining original maturities are less than three months	-	58.126
	272.599	**379.994**

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 June 2005	31 December 2004
Cash in hand	127	122
Cash at banks		
- demand deposits	79.612	96.720
- time deposits	192.278	161.124
Liquid funds	497	68
Other	85	919
	272.599	**258.953**

The maturity period of time deposits is up to one year. There is no YTL time deposit at 30 June 2005 (31 December 2004: 21,6%-25,0%). The interest rates range from 1,0% to 6,0% for foreign currency time deposits and liquid funds (31 December 2004: 1,0%-6,0%).

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

NOTE 5 - MARKETABLE SECURITIES

There is no short term marketable security at 30 June 2005. As of 31 December 2004 all short-term marketable securities are held-to-maturity and the breakdown of such investments is as follows:

	30 June 2005	31 December 2004
Government bonds	-	38.305
Held-to-maturity investments	**-**	**38.305**

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

	30 June 2005	31 December 2004
Up to 90 days	-	25.007
90-180 days	-	10.000
Accrued interest income	-	3.298
	-	**38.305**

All marketable securities held at 31 December 2004 are YTL and interest rates range from 23,0% to 23,9%.

NOTE 6 - BORROWINGS

(a) Short-term bank borrowings

	30 June 2005	31 December 2004
Export credits	76.452	-
Open credits	45.715	-
Eximbank loans	31.255	9.161
Foreign currency loans	4.677	6.997
	158.099	**16.158**

Interest rates for short-term foreign currency loans for the period ended 30 June 2005 range from 3,85% to 6,15% (31 December 2004: 3,25%-7,00%). Interest rates for short-term YTL loans for the period ended 30 June 2005 range from 13,00% to 16,59% (31 December 2004: 17,00%).

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

NOTE 6 - BORROWINGS (Continued)

(b) Long-term bank borrowings

	30 June 2005			31 December 2004		
	Interest rate per annum (%)	Original foreign currency	Balance outstanding thousand YTL	Interest rate per annum (%)	Original foreign currency	Balance outstanding thousand YTL
USD	Libor + 0,95 - 3,25	42.675.670	57.240	Libor + 0 - 3,25	55.461.043	74.434
GBP	Libor + 2,75 - 3,75	26.838.883	65.192	Libor + 2,75 - 3,75	28.486.862	73.396
EUR	Euro Libor + 1,85 - 3,25	236.163.073	381.805	Euro Libor + 2,60 - 3,25	86.605.320	158.211
YTL	17,27	50.967.357	50.967		-	-
			555.204			**306.041**
Less: Current maturities			(113.173)			(96.221)
			442.031			**209.820**

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

NOTE 6 - BORROWINGS (Continued)

The Company has syndication loans from the International Finance Corporation (“IFC”) in the amount of USD16.214.285, EUR191.921.429, GBP19.384.616 and from the Netherlands Development Finance Company ("FMO") in the amount of EUR20.000.000 and USD1.000.000 as at 30 June 2005. Loans obtained for general usage purposes consist of the purchase of equipment and other fixed assets for production and modernisation purposes, research and development and new product development, as well as acquisitions and increased working capital requirements.

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

	30 June 2005	31 December 2004
2006	77.811	93.673
2007	83.191	51.361
2008	100.388	38.313
2009	78.563	13.987
2010	55.054	8.324
2011 and over	47.024	4.162
	442.031	**209.820**

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Short term trade receivables:	**30 June 2005**	**31 December 2004**
Trade receivables	768.827	451.511
Notes receivables	640.187	781.984
Cheques receivables	115.632	146.364
Doubtful receivables	26.652	26.061
	1.551.298	**1.405.920**
Less: Provision for doubtful receivables	(23.843)	(25.390)
Less: Unearned credit income	(94.121)	(69.630)
Trade receivables, net	**1.433.334**	**1.310.900**

Long term trade receivables:

Deposits and guarantees given	5.481	2.127
	5.481	**2.127**

Short term trade payables:

Trade payables	274.614	410.917
Deposits and guarantees received	1.703	1.929
Unearned credit finance charges	(3.693)	(5.527)
	272.624	**407.319**

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

NOTE 8 - LEASE RECEIVABLES AND PAYABLES

a) Finance leases

(i) Finance lease receivables	30 June 2005	31 December 2004
Short-term finance lease receivables	37	83

(ii) Finance lease payables	30 June 2005	31 December 2004
Short-term finance lease payables	2.274	2.128
Long-term finance lease payables	5.570	6.217
	7.844	**8.345**

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

	30 June 2005	31 December 2004
2006	984	2.250
2007	2.293	2.221
2008	1.958	1.746
2009	335	-
	5.570	**6.217**

b) Operating leases

(i) Operating lease receivables

There is no operating lease receivable as of 30 June 2005 (31 December 2004: None).

(ii) Operating lease payables	30 June 2005	31 December 2004
Short-term operating lease payables	218	237
Long-term operating lease payables	535	1.106
	753	**1.343**

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

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

(i) Balances with related parties

(a) Due from related parties

	30 June 2005	31 December 2004
Ram Dış Ticaret A.Ş.	64.161	53.578
Akpa Dayanıklı Tüketim (*)	27.917	7.744
Türk Demir Döküm Fabrikaları A.Ş.	21.565	26.007
Beko Elektronik A.Ş.	8.188	6.488
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	6.113	1.870
Other	8.735	6.045
	136.679	**101.732**
Due from personnel	914	506
	137.593	**102.238**

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

(b) Due to related parties

	30 June 2005	31 December 2004
Beko Elektronik A.Ş.	191.667	232.602
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	104.470	36.968
Ram Dış Ticaret A.Ş	82.576	151.368
Koç Faktoring Hizmetleri A.Ş.	19.683	20.769
Kofisa SA	15.239	29.719
Döktaş A.Ş.	10.976	6.718
Beko Ticaret A.Ş.	10.803	10.838
Other	12.119	19.217
	447.533	**508.199**
Due to personnel	8.516	16.124
Less: Unearned credit finance charged to related parties	(33.622)	(6.377)
	422.427	**517.946**

c) Other

At 30 June 2005, the bank balance includes time deposits and demand deposits at Koçbank amounting to YTL180.446 thousand (31 December 2004: YTL75.927 thousand) and YTL8.383 thousand (31 December 2004: YTL4.959 thousand), respectively. Short-term borrowings from Koçbank at 30 June 2005 amounts to YTL600 thousand (31 December 2004: None).

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

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

(ii) Transactions with related parties

(a) Sales

	1 January - 30 June 2005	1 January - 30 June 2004	1 April - 30 June 2005	1 April - 30 June 2004
Ram Dış Ticaret A.Ş.	82.647	83.327	41.834	46.306
Akpa Dayanıklı Tüketim	31.571	26.236	17.922	15.597
Kofisa SA	11.043	-	6.685	-
Other	16.735	7.092	8.034	3.138
	141.996	**116.655**	**74.475**	**65.041**

(b) Purchases of materials and services

	1 January - 30 June 2005	1 January - 30 June 2004	1 April - 30 June 2005	1 April - 30 June 2004
Beko Elektronik A.Ş.	340.864	359.081	152.283	196.402
Ram Dış Ticaret A.Ş.	202.728	248.542	101.391	116.693
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	101.010	84.274	70.759	64.694
Kofisa SA	57.206	52.422	34.482	32.272
Beko Ticaret A.Ş.	34.537	21.656	15.882	15.231
Döktaş A.Ş.	28.229	23.026	26.731	10.441
Türk Demir Döküm Fabrikaları A.Ş.	25.662	23.886	12.666	12.642
Other	45.930	56.316	16.091	20.840
	836.166	**869.203**	**430.285**	**469.215**
Less: Credit finance charges to related parties (Note 39)	(14.891)	(18.597)	(12.425)	(13.035)
	821.275	**850.606**	**417.860**	**456.180**

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

	1 January - 30 June 2005	1 January - 30 June 2004	1 April - 30 June 2005	1 April - 30 June 2004
Beko Elektronik A.Ş.	(13.672)	4.148	(7.311)	815
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	3.470	2.910	1.595	2.850
Koç Tüketici Finansmanı ve Kart Hizmetleri A.Ş.	4.721	(1.434)	2.600	863
Ram Dış Ticaret A.Ş.	611	(2.532)	348	(374)
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	(227)	(1.803)	(179)	(980)
Ram Pacific	567	-	290	-
	(4.530)	**1.289**	**(2.657)**	**3.174**

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

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

(d) Other transactions with related parties

	1 January - 30 June 2005	1 January - 30 June 2004	1 April - 30 June 2005	1 April - 30 June 2004
Dividends paid	231.487	2.121	229.305	844
Interest income	8.038	5.782	2.650	1.788
Technical service assistance income	1.394	984	704	450
Dividends income	411	1.226	411	1.226
Rent income	117	94	83	61
Interest expense	-	178	-	178
Other income	265	1.416	252	1.448

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

Other short-term financial liabilities

	30 June 2005	31 December 2004
Taxes and duties payable	63.647	40.281
Rescheduled taxes payable	9.262	11.093
	72.909	**51.374**

Other long-term financial liabilities

	30 June 2005	31 December 2004
Rescheduled taxes payable	17.169	12.196
	17.169	**12.196**

NOTE 11 - BIOLOGICAL ASSETS

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

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

NOTE 12 - INVENTORIES

	30 June 2005	31 December 2004
Raw materials and supplies	196.227	186.445
Semi-finished goods	30.198	24.420
Finished goods	127.628	165.300
Merchandises	132.846	161.877
Goods-in-transit	150.206	194.628
	637.105	**732.670**
Less: Provision for slow-moving and obsolete inventories	(4.176)	(5.475)
	632.929	**727.195**

NOTE 13 - CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLINGS

Group has no construction contract receivables or progress billings.

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes

	30 June 2005	31 December 2004
Deferred tax assets	927	780
Deferred tax liabilities	(21.371)	(33.622)
Deferred tax liabilities- net	**(20.444)**	**(32.842)**

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

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

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES (Continued)

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

The breakdown of cumulative temporary differences and the resulting deferred tax assets/(liabilities) provided at 30 June 2005 and 31 December 2004 using the enacted future tax rates are as follows:

	Cumulative temporary differences		**Deferred tax assets/(liabilities)**	
	30 June 2005	**31 December 2004**	**30 June 2005**	**31 December 2004**
Net difference between the tax base and carrying amount of property plant and equipment and intangible assets	268.977	302.379	(77.314)	(86.736)
Provision for warranties and assembly	(89.784)	(79.185)	26.791	23.608
Portion of allowance for unearned credit finance income and expense that is currently non-tax deductible/taxable	(56.137)	(57.338)	16.841	17.201
Provision for employment termination benefits	(38.938)	(38.439)	11.682	11.532
Unused tax credits	(5.681)	(7.125)	909	1.261
Other provisions	(2.870)	(910)	647	292
Deferred tax liabilities-net			**(20.444)**	**(32.842)**

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

NOTE 15 - OTHER CURRENT / NON CURRENT ASSETS AND LIABILITIES

Other current assets

	30 June 2005	31 December 2004
Prepaid expenses	14.789	6.191
Value Added Tax (VAT) receivable	10.970	24.323
Assets held for sale	7.393	8.354
Taxes and funds deductable	408	28.439
Other	1.610	1.552
	35.170	**68.859**

Other current liabilities

	30 June 2005	31 December 2004
Warranty provision	91.828	90.313
Accual for customer premiums	55.289	-
Deferred income	30.552	14.841
Assembly provision	21.986	14.661
Accrual for sales expenses	20.562	14.705
Accrual for bonuses and premiums	10.725	6.503
Transportation expenses provision	6.892	10.029
Accrual for advertising expenses	6.419	3.316
Other	19.346	16.700
	263.599	**171.068**

Other non- current liabilities

	30 June 2005	31 December 2004
Warranty provision	23.365	23.044
Deferred income	2.229	1.908
Other	1.086	2.416
	26.680	**27.368**

NOTE 16 - FINANCIAL ASSETS

	30 June 2005	31 December 2004
Available-for-sale investments	124.030	123.888
Held-to-maturity investments	16.771	17.524
Investments in associated companies	135.978	140.441
	276.779	**281.853**

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

NOTE 16 - FINANCIAL ASSETS (Continued)

i. Available-for-sale investments:

	30 June 2005		31 December 2004	
	%	thousand YTL	%	thousand YTL
Koç Finansal Hizmetler A.Ş.	6,96	102.752	6,96	102.752
Entek Elektrik A.Ş.	6,86	20.040	6,86	20.040
Idea A.Ş.	2,67	386	2,67	386
Beko LLC (formerly named as Arus)	100,00	302	100,00	302
Tat Konserve Sanayii A.Ş.	0,34	192	0,34	192
Arcelitalia (*)	100,00	191	100,00	191
Beko S.A. Hungarian (*)	100,00	165	-	-
ArticPro SRL	0,99	1	0,99	1
Çerkezköy Enerji A.Ş.	0,00	1	0,04	1
Archin Limited (*)	99,99	-	99,99	23
Arctic Service (*)	100,00	-	100,00	-
Basic International Investment Ltd. (**)	20,00	-	20,00	-
Srccb SA	8,30	-	8,30	-
Banca Internationala a Religiflor	0,80	-	0,80	-
Ubicom Inc.	0,02	-	0,02	-
		124.030		**123.888**

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

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

Impairment loss provision for available-for-sale investments amount to YTL70.934 thousand (31 December 2004: YTL70.923 thousand) at 30 June 2005.

The unrealised gains (net) arising from changes in the fair value of investments in Koç Finansal Hizmetler A.Ş. and Entek Elektrik A.Ş. amounting to YTL12.550 thousand is recognised in equity under "financial assets fair value reserve".

ii. Held-to-maturity investments:

	30 June 2005	31 December 2004
Eurobonds	16.771	16.780
Government bonds	-	744
	16.771	**17.524**

Interest rate for Eurobonds held at 30 June 2005 is 9,88% (31 December 2004: 9,88%). Interest rate for government bonds held at 31 December 2004 is 21,20%- 24,25%.

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

NOTE 16 - FINANCIAL ASSETS (Continued)

iii. Investments in associated companies

The respective shares of the Company and its Subsidiaries in investments in associated companies at 30 June 2005 and 31 December 2004 are as follows:

		30 June 2005		31 December 2004
	%	thousand YTL	%	thousand YTL
Beko Elektronik A.Ş.	22,36	61.593	22,36	75.265
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	45,00	35.269	45,00	31.799
Koç Tüketici Finansmanı ve Kart Hizmetleri A.Ş.	39,50	32.645	39,50	27.924
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	32,00	2.826	32,00	3.053
Ram Dış Ticaret A.Ş.	26,75	2.149	26,75	1.471
Ram Pacific Ltd.	25,00	1.496	25,00	929
		135.978		**140.441**

NOTE 17 – GOODWILL/ NEGATIVE GOODWILL

	1 January 2005	Additions	Disposals (*)	Currency translation difference	30 June 2005
Goodwill	90.790	-	-	(799)	89.991
Accumulated amortisation	(43.003)	-	-	227	(42.776)
Net book value	47.787	-	-	(572)	47.215
Negative goodwill	(7.783)	-	7.783	-	-
Accumulated amortisation	3.308	-	(3.308)	-	-
Net book value	(4.475)	-	4.475	-	-
Total net book value	**43.312**				**47.215**

(*) Previously recognised negative goodwill with carrying value of YTL4.475 thousand as of 1 January 2005 resulting from acquisition of Blomberg Vertrieb has been derecognised from financial statements at the beginning of the period according to IFRS 3 with a corresponding adjustment to the opening balance of retained earnings (Note 3).

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

NOTE 18 – INVESTMENT PROPERTY

The Group does not have any investment property.

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2005	Additions	Disposals	Transfers	Currency translation difference	Disposal from scope of consolidation	30 June 2005
Cost							
Land	16.817	15	(3)	-	(415)	-	16.414
Land improvement	16.479	100	(19)	-	(13)	-	16.547
Buildings	253.522	408	(1.254)	734	(3.088)	-	250.322
Machinery and equipment	1.614.812	29.335	(5.205)	(27.266)	(2.276)	(188)	1.609.212
Motor vehicles, furniture and fixtures	127.360	2.179	(1.021)	31.458	(1.904)	(66)	158.006
Leasehold improvements	17.233	354	-	-	(37)	-	17.550
	2.046.223	**32.391**	**(7.502)**	**4.926**	**(7.733)**	**(254)**	**2.068.051**
Accumulated Depreciation							
Land improvement	(6.925)	(306)	-	-	35	-	(7.196)
Buildings	(109.919)	(4.693)	840	-	2.353	-	(111.419)
Machinery and equipment	(1.193.272)	(58.851)	4.781	25.665	1.292	77	(1.220.308)
Motor vehicles, furniture and fixtures	(96.850)	(5.466)	814	(25.621)	1.729	41	(125.353)
Leasehold improvements	(6.950)	(1.306)	-	(44)	50	-	(8.250)
	(1.413.916)	**(70.622)**	**6.435**	**-**	**5.459**	**118**	**(1.472.526)**
Construction in progress	9.307	32.077	(434)	(4.926)	(56)	(166)	35.802
Advances given	382	3.827	-	-	-	-	4.209
Net book value	**641.996**	**(2.327)**	**(1.501)**	**-**	**(2.330)**	**(302)**	**635.536**

At 30 June 2005 mortgages on property, plant and equipment amount to YTL16.167 thousand (31 December 2004: YTL18.317 thousand).

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

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

NOTE 20 - INTANGIBLE ASSETS

	1 January 2005	Additions	Disposals	Currency translation difference	Disposal from scope of consolidation	30 June 2005
Cost						
Rights	44.813	247	(106)	(1.221)	(3.168)	40.565
Other intangible assets	1.679	-	-	(196)	-	1.483
	46.492	**247**	**(106)**	**(1.417)**	**(3.168)**	**42.048**
Accumulated amortization						
Rights	(31.333)	(2.007)	106	667	2.894	(29.673)
Other intangible assets	(1.514)	(71)	-	174	-	(1.411)
	(32.847)	**(2.078)**	**106**	**841**	**2.894**	**(31.084)**
Net book value	**13.645**	**(1.831)**	**-**	**(576)**	**(274)**	**10.964**

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

NOTE 21 - ADVANCES RECEIVED

	30 June 2005	31 December 2004
Order advances received	363	192.402
Other advances received	-	232
	363	**192.634**

NOTE 22 - RETIREMENT PLANS

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

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

NOT 23 - PROVISIONS

a) Short term provisions

	30 June 2005	31 December 2004
Tax provision (Note 41)	16.502	-

b) Long term provisions

	30 June 2005	31 December 2004
Provision for employment termination benefits	39.845	39.502

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

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

The amount payable consists of one month's salary limited to a maximum of YTL1.648,90 (31 December 2004: YTL1.574,74) for each period of service at 30 June 2005.

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

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

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:

	30 June 2005	31 December 2004
Discount rate (%)	5,45	5,45
Turnover rate to estimate the probability of retirement (%)	99	99

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of YTL1.727,15 (1 January 2005: YTL1.648,90) which is effective from 1 July 2005 has been taken into consideration in calculating the reserve for employment termination benefit of the Company and its Turkish subsidiaries and associates.

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

NOT 23 – PROVISIONS (Continued)

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

	30 June 2005	31 December 2004
Balance at the begining of the period	39.502	39.179
Charge for the period	3.861	10.370
Payments during the period	(3.451)	(5.287)
Disposal from scope of consolidation (Artesis)	(67)	-
Monetary gain	-	(4.760)
Balance at the end of the period	**39.845**	**39.502**

NOTE 24 - MINORITY INTEREST

Changes in minority interest during the periods are as follows:

	30 June 2005	31 December 2004
Balance at the beginning of period	**22.019**	**20.367**
Dividend payments	(2.310)	(2.454)
Decrease in minority interest due to subsidiary excluded from scope of consolidation (Artesis)	(548)	-
Currency translation differences	(1.191)	(1.495)
Net income attributable to minority interest	2.358	5.601
Balance at the end of period	**20.328**	**22.019**

NOT 25 – SHARE CAPITAL/ADJUSTMENT TO SHARE CAPITAL

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

The Company's historical registered and authorised and paid-in share capital at 30 June 2005 and 31 December 2004 are as follows:

	30 June 2005	31 December 2004
Limit on registered share capital	500.000	500.000
Authorised and paid-in share capital	399.960	399.960

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

NOT 25 – SHARE CAPITAL/ADJUSTMENT TO SHARE CAPITAL (Continued)

At 30 June 2005 and 31 December 2004, the shareholding structure can be summarised are as follows:

	30 June 2005		31 December 2004	
Shareholders	**% Share**	**Amount**	**% Share**	**Amount**
Koç Holding	39,14	156.546	39,14	156.546
Teknosan A.Ş.	14,68	58.709	14,68	58.709
Koç Family	9,81	39.252	10,25	41.001
Burla Makina Ticaret ve Yatırım A.Ş.	7,66	30.649	7,66	30.649
Koç Holding Emekli ve Yardım Sandığı Vakfı	4,50	17.982	4,50	17.982
Other	24,21	96.822	23,77	95.073
Total	100,00	399.960	100,00	399.960
Adjustment to share capital		468.811		468.811
Total paid-in share capital		**868.771**		**868.771**

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

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

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

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

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

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

The Company distributed dividend of YTL229.177 thousand from prior periods income and extraordinary reserves during year 2005.

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

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

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.

Inflation adjustment to sheraholders' equity shall only be netted-off against prior years' losses and used as an internal source in capital increase where extraordinary reserves can be netted-off against prior years' losses, used in distribution of bonus shares and distributions of dividends to shareholders. In accordance with the Communiquè No: XI-25, at 30 June 2005 and 31 December 2004, the shareholders' equity schedule, is as follows:

	30 June 2005	31 December 2004
Paid-up capital	399.960	399.960
Legal reserves	31.359	-
Extraordinary reserves	-	-
Share premium	-	-
Inflation adjustment to sheraholders' equity	748.984	748.984
Financial assets fair value reserve	12.550	12.550
Net income for the period	140.589	293.201
Prior years' income/(losses)	24.590	(12.550)
Share premium arising from the fair value of the acquired assets and liabilities	256.707	256.707
Translation reserve	(21.139)	(14.198)
Total shareholders' equity	**1.593.600**	**1.684.654**

Details of the inflation adjustment to shareholders' equity as of 30 June 2005 and 31 December 2004 are as follows:

	Nominal Value	Restated Amounts	Shareholders' equity restatement differences
Share capital	399.960	868.771	468.811
Offsetting difference (*)	-	280.173	280.173
	399.960	**1.148.944**	**748.984**

(*) Inflation correction differences amounting to YTL280.173 thousand which is the remaining balance of equity accounts zeroed by offsetting is shown in inflation adjustment to shereholders' equity account.

NOTE 29– FOREIGN CURRENCY POSITION

Assets and liabilities denominated in foreign currency at 30 June 2005 and 31 December 2004 are as follows:

	30 June 2005	31 December 2004
Assets	853.513	813.610
Liabilities	(824.412)	(779.100)
Off balance sheet liabilities	-	(38.096)
Net position	**29.101**	**(3.586)**

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

NOTE 29– FOREIGN CURRENCY POSITION (Continued)

Assets and liabilities denominated in foreign currency at 30 June 2005 are as follows:

30 June 2005

	EUR	USD	GBP	Other	Total
Current assets:					
Cash and cash equivalents	199.888	32.982	7.122	2.684	242.676
Trade receivables (net)	252.416	31.306	83.384	37.760	404.866
Due from related parties (net)	7.873	20	19.203	-	27.096
Other receivables (net)	-	-	-	-	-
Inventories (net)	47.376	-	57.637	39.905	144.918
Other current assets	6.599	24	4.988	2.344	13.955
Non-current assets:					
Trade receivables (net)	726	-	-	-	726
Financial assets (net)	-	16.771	-	-	16.771
Deferred tax assets	-	-	280	647	927
Other non-current assets	1.578	-	-	-	1.578
Total assets	**516.456**	**81.103**	**172.614**	**83.340**	**853.513**
Current liabilities:					
Short-term bank borrowings	3.233	-	1.444	-	4.677
Current maturities of long-term bank borrowings	45.851	52.545	13.809	-	112.205
Trade payables (net)	54.126	15.457	6.019	8.997	84.599
Due to related parties (net)	63.490	-	34.722	4.625	102.837
Lease payables (net)	-	-	-	-	-
Other financial liabilities (net)	-	-	-	-	-
Advances received	-	-	-	-	-
Provisions	-	-	1.011	378	1.389
Other current liabilities (net)	33.938	1.537	55.805	12.508	103.788
Non-current liabilities:					
Long-term bank borrowings (net)	335.954	4.695	51.383	-	392.032
Other financial liabilities (net)	-	-	-	-	-
Lease payables (net)	-	-	-	-	-
Provisions	906	-	-	-	906
Deferred tax liabilities	-	-	-	2.983	2.983
Other non-current liabilities (net)	5.583	-	212	13.201	18.996
Total liabilities	**543.081**	**74.234**	**164.405**	**42.692**	**824.412**
Net position	**(26.625)**	**6.869**	**8.209**	**40.648**	**29.101**

The net foreign currency position of the Group as of 30 June 2005 is positive YTL29.101 thousand equivalent to EUR18.000.247.

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

NOTE 29– FOREIGN CURRENCY POSITION (Continued)

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

31 December 2004

	EUR	USD	GBP	Other	Total
Current assets					
Cash and cash equivalents	82.743	9.099	25.859	9.326	127.027
Trade receivables (net)	313.865	20.724	85.509	58.424	478.522
Due from related parties (net)	901	2.709	29.492	5	33.107
Other receivables (net)	126	-	76	168	370
Inventories (net)	58.186	-	57.326	30.537	146.049
Other current assets	7.905	8	696	992	9.601
Non-current assets:					
Trade receivables (net)	952	-	-	-	952
Financial assets (net)	-	16.508	-	-	16.508
Deferred tax assets	-	-	323	457	780
Other non-current assets	694	-	-	-	694
Total assets	**465.372**	**49.048**	**199.281**	**99.909**	**813.610**
Current Liabilities:					
Short-term bank borrowings	3.657	-	3.343	-	7.000
Current maturities of long-term bank borrowings	43.414	41.073	11.734	-	96.221
Trade payables (net)	114.337	17.219	4.944	6.286	142.786
Due to related parties (net)	154.462	2	22.061	336	176.861
Lease payables (net)	1.363	-	146	115	1.624
Other financial liabilities (net)	2.010	-	-	1.018	3.028
Advances received	87	-	-	4	91
Provisions	2.054	-	2.260	1.914	6.228
Other current liabilities (net)	37.459	941	61.983	9.414	109.797
Non-current liabilities:					
Long-term bank borrowings (net)	114.797	33.361	61.662	-	209.820
Other financial liabilities (net)	-	-	-	6.050	6.050
Lease payables (net)	6.237	-	294	190	6.721
Provisions	995	-	-	-	995
Deferred tax liabilities	-	-	-	3.518	3.518
Other non-current liabilities (net)	1.758	-	1	6.601	8.360
Total liabilities	**482.630**	**92.596**	**168.428**	**35.446**	**779.100**
Off balance sheet liabilities	**(37.750)**	**-**	**-**	**(346)**	**(38.096)**
Net position	**(55.008)**	**(43.548)**	**30.853**	**64.117**	**(3.586)**

The net foreign currency position of the Company as of 31 December 2004 is negative YTL3.586 thousand equivalent to EUR1.962.390.

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

NOTE 30 - GOVERNMENT GRANTS

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

a) 100% exemption from customs duty on machinery and equipment to be imported;
b) Value Added Tax exemption with respect to purchases of investment goods both from domestic and export markets,
c) Exemption of tax and funds (for the incentives 67302, 67303, 72396);
d) A 100% investment allowance for purchases of assets and construction costs for investments; 67302 and 67303; 40% investment allowance for investments; 72396, 74349, 74387, 74408, 74840, 75810, 75864, 76568;
e) 40% of the research and development expenditures,

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

Total investments subject to investment allowances amount to YTL41.072 thousand in 2005. Total research and development expenditures subject to allowances amount to YTL17.940 thousand in 2005.

NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

Provisions

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

Commitments and Contingent liabilities

a) Guarantees and commitments given are as follows at 30 June 2005 and 31 December 2004

	30 June 2005	**31 December 2004**
Collateral obtained	936.860	846.275
Pledges given	18.550	17.962
Guarantee notes given	42.645	16.935
Other guarantees	230	1.000
Capital commitments	270	17
Forward commitments	3.062	-

b) In connection with the Inward Processing Permission Certificates, the Company committed to realise export sales amounting to USD1.064.063.937 (31 December 2004: USD718.147.580) at 30 June 2005.

c) The export commitments in scope of the Investment Incentive Certificates at 30 June 2005 amount to USD21.000 (31 December 2004: USD21.000).

d) In connection with the Investment Incentives Certificates, the Company committed to realise a capital increase amounting to YTL102.103 thousand (31 December 2004: YTL113.006 thousand) at 30 June 2005.

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

NOTE 32 – BUSINESS COMBINATIONS

There is no business combination in 2005 and 2004.

NOTE 33– SEGMENT REPORTING

Primary reporting format - Business segment

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

Secondary reporting format - Geographical segment

The Group's geographical segments are organised into Turkey and Euro Zones. 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	1 January - 30 June 2005	1 January - 30 June 2004	1 April - 30 June 2005	1 April - 30 June 2004
Turkey	1.480.515	1.319.545	772.775	752.020
Europe	823.045	889.039	435.021	455.054
Other	113.666	158.609	64.343	94.175
	2.417.226	**2.367.193**	**1.272.139**	**1.301.249**

Segment assets	30 June 2005	31 December 2004
Turkey	3.025.851	2.907.195
Europe	462.713	583.051
	3.488.564	**3.490.246**

Capital expenditure	1 January - 30 June 2005	1 January - 30 June 2004	1 April - 30 June 2005	1 April - 30 June 2004
Turkey	57.042	54.616	40.912	42.963
Europe	11.500	10.740	7.198	6.804
	68.542	**65.356**	**48.110**	**49.767**

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

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

NOTE 34 - SUBSEQUENT EVENTS

According to the Board of Directors decision dated 28 July 2005, the Company has decided to participate in capital increase of Ardutch, subsidiary of the Group, with the amount of €18 million for the participation of Ardutch to Beko LLC, new durable consumer goods plant in Russia with 99%. Moreover, the Company has decided to associate to Beko LLC with 1% and with maximum capital of €180.000.

NOTE 35 – DISCONTINUED OPERATIONS

The Group has no discontinuing operations as of 30 June 2005.

NOTE 36 - OPERATING INCOME

	1 January - 30 June 2005	1 January - 30 June 2004	1 April - 30 June 2005	1 April - 30 June 2004
Domestic sales	1.547.909	1.385.694	807.805	790.906
Foreign sales	1.016.909	1.120.056	543.437	582.966
Gross sales	**2.564.818**	**2.505.750**	**1.351.242**	**1.373.872**
Less: Discounts	(147.592)	(138.557)	(79.103)	(72.623)
Net sales	**2.417.226**	**2.367.193**	**1.272.139**	**1.301.249**

NOTE 37– OPERATING EXPENSES

	1 January - 30 June 2005	1 January - 30 June 2004	1 April - 30 June 2005	1 April - 30 June 2004
Research and development expenses	(24.261)	(19.321)	(12.435)	(9.758)
Selling and marketing expenses	(267.655)	(248.774)	(147.338)	(156.213)
General administrative expenses	(109.359)	(128.942)	(52.969)	(52.199)
Operating expenses	**(401.275)**	**(397.037)**	**(212.742)**	**(218.170)**

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

NOTE 38– OTHER INCOME/EXPENSES

The other income and expenses for the periods ended 30 June are as follows:

	1 January - 30 June 2005	1 January - 30 June 2004	1 April - 30 June 2005	1 April - 30 June 2004
Other income				
Service income	2.813	3.049	1.107	1.405
Reversal of provisions	2.166	3.687	1.650	1.642
Dividend income	411	1.226	411	1.226
Income from scrap sales	-	1.147	-	954
Amortization of negative goodwill	-	2.853	-	1.458
Other	4.053	6.162	1.085	3.515
Other income	**9.443**	**18.124**	**4.253**	**10.200**

	1 January - 30 June 2005	1 January - 30 June 2004	1 April - 30 June 2005	1 April - 30 June 2004
Other expenses				
Restructuring expenses	(1.287)	(392)	(1.287)	(39)
Provision for doubtful receivables	(618)	(91)	(38)	(75)
Loss from fixed asset sales	(306)	(1.615)	(301)	(1.394)
Amortization of goodwill	-	(4.378)	-	(2.241)
Impairment loss of assets	(771)	(465)	(62)	(465)
Loss from investment sales	(102)	-	(102)	-
Other	(3.650)	(5.585)	(3.163)	(3.712)
Other expenses	**(6.734)**	**(12.526)**	**(4.953)**	**(7.926)**

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

NOTE 39 - FINANCIAL INCOME/EXPENSES

The financial income and expenses for the periods ended 30 June are as follows:

	1 January - 30 June 2005	1 January - 30 June 2004	1 April - 30 June 2005	1 April - 30 June 2004
Credit finance income	71.750	40.840	29.089	16.756
Foreign exchange gains	58.425	32.102	46.937	8.503
Interest income from bank deposits and loan to banks secured with government bonds and treasury bills	12.749	29.238	5.045	15.785
Other	1.230	1.478	806	1.039
Financial income	**144.154**	**103.658**	**81.877**	**42.083**
Foreign exchange losses	(59.520)	(33.437)	(45.961)	(2.827)
Credit finance charges	(47.150)	(29.046)	(14.632)	(14.015)
Interest on borrowings	(17.397)	(10.020)	(15.935)	(6.138)
Cash discounts expenses	(10.057)	(9.894)	(5.770)	(4.339)
Other	(391)	(2.516)	(245)	(1.189)
Financial expenses	**(134.515)**	**(84.913)**	**(82.543)**	**(28.508)**
Financial income/(expenses), net	**9.639**	**18.745**	**(666)**	**13.575**

NOTE 40 - NET MONETARY POSITION GAIN/LOSSES

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

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

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

NOTE 41 – TAXES ON INCOME

	30 June 2005	31 December 2004
Corporation and income taxes	46.995	107.902
Less: prepaid tax	(30.493)	(128.914)
Taxes payable/(receivable), net	16.502	(21.012)
Deferred tax liabilities, net	20.444	32.842
	36.946	**11.830**

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

Corporation tax rate of the fiscal year 2005 is 30%. Corporation tax is payable at a rate of 30% on the total income of the Company after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed.

In accordance with Tax Law No.5024 “Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law” published in the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish lira. Corporate taxpayers are obliged to prepare the opening balance sheets restated for inflation at 31 December 2003. Corporate taxpayers, who are required to follow the inflation accounting principles in accordance with the aforementioned Communiqué, are obliged only to restate their balance sheets for the periods ended after 1 January 2004. For the first two advance corporation tax periods of year 2005, restatement for inflation was not required in accordance with the Tax Procedure Law circulars No 18 and 19 dated 19 April 2005 and 15 July 2005.

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

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

NOTE 41 – TAXES ON INCOME (Continued)

Exception for participation share and property sales profit which took part in Corporation Tax Law temporary Articles 28 and 29 has been ended. However, this arrangement has been added to Corporation Tax Law Article 8 as permanent exception with Law No. 5281 numbered law dating from 1 January 2005.

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

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

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

Capital expenditures, with some exceptions, over YTL10 thousand are eligible for investment incentive allowance of 40%, which is deductible from taxable income prior to calculation of the corporate income tax, without the requirement of an investment incentive certificate, and the amount of allowance is not subject to withholding tax. Investment allowances utilised within the scope of investment incentive certificates granted prior to 24 April 2003 are subject to withholding tax at the rate of 19,8%, irrespective of profit distribution.

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

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

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

NOTE 41 – TAXES ON INCOME (Continued)

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

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

The taxes on income for the periods ended 30 June, is summarised as follows:

	1 January - 30 June 2005	**1 January - 30 June 2004**	**1 April - 30 June 2005**	**1 April - 30 June 2004**
Taxes on income				
- Current	(48.419)	(83.594)	(27.716)	(55.481)
- Deferred	12.422	9.241	14.298	9.185
Taxes on income	**(35.997)**	**(74.353)**	**(13.418)**	**(46.296)**

NOTE 42 - EARNINGS PER SHARE

The earnings per share for each period are as follows:

	1 January - 30 June 2005	**1 January - 30 June 2004**	**1 April - 30 June 2005**	**1 April - 30 June 2004**
Net profit for the period	140.589	122.275	72.742	85.938
Weighted average number of ordinary shares with nominal value of YTL1 each	399.960.000	399.960.000	399.960.000	399.960.000
Earnings per share (YTL)	**0,352**	**0,306**	**0,182**	**0,215**

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

NOTE 43 - SUPPLEMENTARY OF CASH FLOW INFORMATION

"Changes in reserves and provisions" and "changes in operating assets and liabilities" shown at consolidated statements of cash flows for the period ended 30 June are detailed as follows:

	30 June 2005	30 June 2004
Changes in reserves and provisions		
Changes in deferred taxation	(12.398)	(9.240)
Changes in assembly provision	7.325	4.747
Changes in warranty expense provision	1.515	14.043
Changes in provision for employment termination benefit	343	(937)
Changes in provison for redundancy	(1.221)	(12.177)
Changes in provision for transportation expenses	(3.137)	(12)
Changes in provisions for bonuses and premiums	4.222	3.812
Changes in provision for customer premiums	55.289	51.165
Changes in accrual for sales expenses	5.857	25.806
	57.795	**77.207**
Changes in operating assets and liabilities		
Marketable securities	14.013	(35.836)
Trade receivables and due from related parties	(157.140)	(143.798)
Inventories	93.915	(112.585)
Other current assets and liabilities	(134.266)	15.013
Other non-current assets and liabilities	2.490	10.383
Trade payables and due to related parties	(222.303)	94.052
	(403.291)	**(172.771)**

NOTE 44 – DISCLOSURE OF OTHER MATTERS

None.

NOTE 45 – DATE OF AUTHORIZATION FOR ISSUE

The consolidated financial statements as at and for the period ended 30 June 2005 have been approved for issue by the Board of Directors on 11 August 2005 and signed by Fatih Kemal Ebiçlioğlu, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director.

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