ARÇELİK ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2006 TOGETHER WITH AUDITOR'S REVIEW REPORT

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AT 30 JUNE 2006

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ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED INTERIM BALANCE SHEETS AT 30 JUNE 2006 AND 31 DECEMBER 2005

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

	Notes	30 June 2006	31 December 2005
ASSETS			
Current assets			
Cash and cash equivalents	4	165.854	267.191
Marketable securities (net)	5	-	-
Trade receivables (net)	7	2.045.762	1.600.089
Lease receivables (net)	8	-	-
Due from related parties (net)	9	177.264	121.268
Other receivables (net)	10	-	-
Biological assets (net)	11	-	-
Inventories (net)	12	771.216	619.274
Construction contract receivables (net)	13	-	-
Deferred tax assets	14	-	-
Other current assets	15	30.134	53.031
Total current assets		**3.190.230**	**2.660.853**
Non-current assets			
Trade receivables (net)	7	86.354	18.777
Lease receivables (net)	8	-	-
Due from related parties (net)	9	-	-
Other receivables (net)	10	-	-
Financial assets (net)	16	778.139	658.613
Goodwill/negative goodwill (net)	17	39.648	39.268
Investment properties (net)	18	-	-
Property, plant and equipment (net)	19	784.642	688.292
Intangible assets (net)	20	60.266	56.573
Deferred tax assets	14	27.180	210
Other non-current assets	15	-	-
Total non-current assets		**1.776.229**	**1.461.733**
Total assets		**4.966.459**	**4.122.586**

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

ARÇELİK ANONİM ŞİRKETİ

CONSOLIDATED INTERIM BALANCE SHEETS AT 30 JUNE 2006 AND 31 DECEMBER 2005

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

	Notes	30 June 2006	31 December 2005
LIABILITIES			
Current liabilities			
Short-term bank borrowings	6	142.798	35.861
Current maturities of long-term bank borrowings	6	198.623	87.086
Lease payables (net)	8	175	208
Other financial liabilities (net)	10	50.707	55.694
Trade payables (net)	7	482.561	352.432
Due to related parties (net)	9	686.983	554.456
Advances received	21	5.418	195.429
Construction contracts progress billings (net)	13	-	-
Provisions	23	12.835	3.809
Deferred tax liabilities	14	-	-
Other current liabilities (net)	15	314.897	164.730
Total current liabilities		**1.894.997**	**1.449.705**
Non-current liabilities			
Long-term bank borrowings (net)	6	787.596	543.647
Lease payables (net)	8	123	140
Other financial liabilities (net)	10	11.052	10.676
Trade payables (net)	7	-	-
Due to related parties (net)	9	-	-
Advances received	21	-	-
Provisions	23	49.170	43.849
Deferred tax liabilities	14	2.221	12.033
Other non-current liabilities (net)	15	100.107	53.643
Total non-current liabilities		**950.269**	**663.988**
Total liabilities		**2.845.266**	**2.113.693**
MINORITY INTEREST	**24**	**22.362**	**21.837**
SHAREHOLDERS' EQUITY			
Share capital	25	399.960	399.960
Treasury shares	25	-	-
Capital reserves	26	1.304.880	1.251.364
Share premium		256.707	256.707
Share cancellation gains		-	-
Revaluation fund		-	-
Financial assets fair value reserve		299.189	245.673
Inflation adjustment to shareholders' equity		748.984	748.984
Profit reserves	27	93.114	4.478
Legal reserves		61.759	31.359
Statutory reserves		-	-
Extraordinary reserves		-	-
Special reserves		-	-
Investment and property sales income to be added to the capital		-	-
Translation reserve		31.355	(26.881)
Current period profit		200.003	312.153
Retained earnings	28	100.874	19.101
Total shareholders' equity		**2.098.831**	**1.987.056**
Total shareholders' equity and liabilities		**4.966.459**	**4.122.586**
Commitments and contingent liabilities	**31**		

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 INCOME FOR THE PERIODS ENDED 30 JUNE

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

	Notes	1 January - 30 June 2006	Restated 1 January - 30 June 2005	1 April - 30 June 2006	Restated 1 April - 30 June 2005
Operating revenue					
Net sales	36	2.815.109	2.417.226	1.610.519	1.272.139
Cost of sales (-)		(2.084.927)	(1.844.825)	(1.190.478)	(968.032)
Gross operating profit		**730.182**	**572.401**	**420.041**	**304.107**
Operating expenses (-)	37	(520.791)	(401.275)	(306.428)	(212.742)
Net operating profit		**209.391**	**171.126**	**113.613**	**91.365**
Other income	38	14.101	9.137	11.902	3.952
Other expenses	38	(5.287)	(6.428)	(2.767)	(4.652)
Financial income/(expenses), net	39	698	9.639	4.396	(666)
(Loss)/income from associates, net		8.816	(5.193)	3.826	(3.320)
Income before monetary loss, taxes and minority interests		**227.719**	**178.281**	**130.970**	**86.679**
Monetary loss	40	-	-	-	-
Income before tax and minority interest		**227.719**	**178.281**	**130.970**	**86.679**
Minority interest	24	(3.526)	(2.358)	(3.154)	(1.182)
Income before tax		**224.193**	**175.923**	**127.816**	**85.497**
Taxes on income	41	(24.190)	(35.997)	(3.588)	(13.418)
Net income		**200.003**	**139.926**	**124.228**	**72.079**
Earnings per share (TRY)	42	0,500	0,350	0,311	0,180

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

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 (TRY) unless otherwise indicated)

	Notes	30 June 2006	Restated 30 June 2005
Operating activities			
Net Income		**200.003**	**139.926**
Adjustments for:			
Increases and decreases in accruals and provisions	43	200.226	70.193
Depreciation and amortisation	19,20	77.101	72.700
Interest income	39	(5.895)	(12.749)
Interest expense	39	31.853	17.397
Income/(loss) from investment in associated companies, net	9	(8.816)	4.530
Net income/(loss) from sales of property, plant and equipment, intangible assets, and subsidiary		(222)	234
Minority interest	24	3.526	2.358
Taxation expenses	41	24.190	35.997
Net cash provided by operating activities before changes in operating assets and liabilities		**521.966**	**330.586**
Changes in operating assets and liabilities, net	43	(624.092)	(415.236)
Income and corporate taxes paid	41	(53.074)	(9.481)
Net cash used in operating activities		**(155.200)**	**(94.131)**
Investing activities:			
Cash provided from sale of tangible and intangible assets		3.363	1.369
Acquisition of tangible and intangible assets	19,20	(145.716)	(68.542)
Net cash used in investing activities		**(142.353)**	**(67.173)**
Financing activities:			
Interest received		6.445	11.276
Interest paid		(27.456)	(20.819)
Dividends paid		(207.378)	(231.487)
Increase/(decrease) in held-to-maturity investments, net		(60.414)	753
Increase in bank borrowings, net		457.476	394.875
Net cash provided by financing activities		**168.673**	**154.598**
Effect of exchange rate changes		27.543	(4.655)
Net decrease in cash and cash equivalents		**(101.337)**	**(11.361)**
Cash and cash equivalents at the beginning of the period		**267.191**	**283.960**
Cash and cash equivalents at the end of the period		**165.854**	**272.599**

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 (TRY) unless otherwise indicated)

		Capital Reserves			Profit Reserves			Retained Earnings			
	Share capital	**Share premium**	**Inflation adjustment to shareholders’ equity**	**Financial assets fair value reserve**	**Legal reserves**	**Extraordinary reserves**	**Translation reserve**	**Retained earnings**	**Net income for the period**	**Total**	**Shareholders’ equity**
Balance at 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)	-	-
Dividends paid	-	-	-	-	31.359	-	-	(260.536)	-	(260.536)	(229.177)
Cumulative translation differences	-	-	-	-	-	-	(6.941)	-	-	-	(6.941)
Net income	-	-	-	-	-	-	-	-	139.926	139.926	139.926
Balance at 30 June 2005	**399.960**	**256.707**	**748.984**	**12.550**	**31.359**	**-**	**(21.139)**	**24.590**	**139.926**	**164.516**	**1.592.937**
Balance at 1 January 2006	**399.960**	**256.707**	**748.984**	**245.673**	**31.359**	**-**	**(26.881)**	**19.101**	**312.153**	**331.254**	**1.987.056**
Transfers	-	-	-	-	-	-	-	312.153	(312.153)	-	-
Dividends paid	-	-	-	-	30.400	-	-	(230.380)	-	(230.380)	(199.980)
Cumulative translation differences	-	-	-	-	-	-	58.236	-	-	-	58.236
Financial assets net fair value increases	-	-	-	53.516	-	-	-	-	-	-	53.516
Net income	-	-	-	-	-	-	-	-	200.003	200.003	200.003
Balance at 30 June 2006	**399.960**	**256.707**	**748.984**	**299.189**	**61.759**	**-**	**31.355**	**100.874**	**200.003**	**300.877**	**2.098.831**

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

NOTE 1 - ORGANISATION AND PRINCIPAL ACTIVITIES

Arçelik Anonim Şirketi (a Turkish corporation - "Arçelik" or "the Company") and its subsidiaries and associates (collectively, "the Group") undertake all commercial and industrial activities in respect of the production, sales and marketing including e-commerce, leasing, exportation and importation of electrical and non-electrical household appliances, their main and supplementary materials, mobile phones, electronic appliances and their spare parts. The Group operates nine manufacturing plants in Turkey, Romania and Russia. The Company is a member of the Koç Group of companies, which holds a majority stake in the Company. The Company's head office is located at Sütlüce, 34445 Istanbul, Turkey.

The Company is registered with the Capital Markets Board ("CMB") and its shares have been quoted on the Istanbul Stock Exchange since 1986. At 30 June 2006 the shares quoted on the Istanbul Stock Exchange are approximately 21,29% of the total shares. At 30 June 2006, the principal shareholders and their respective shareholdings in the Company are as follows (Note 25):

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

The 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 number of employees of the Group is 11.564 (31 December 2005: 10.827).

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 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 Accounting 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. These consolidated interim financial statements and the related notes have been prepared under the alternative application defined by the CMB as explained above and presented in accordance with the formats required by the CMB with the announcement dated 20 December 2004.

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

2.2 Financial reporting in hyperinflationary periods

As disclosed in the "accounting policies" note, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for 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.

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

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

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

2.3 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 the retranslation of the opening net assets of foreign undertakings and differences between the average and period-end rates are included in the translation reserve under shareholders' equity.

2.4 Group accounting

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

(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 the power to exercise control over the financial and operating policies.

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

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

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

The table below sets out all Subsidiaries included in the scope of consolidation and shows their shareholding structure at 30 June 2006 and 31 December 2005:

	Direct and indirect control by Arçelik and its Subsidiaries (%) 30 June 2006	**Direct and indirect control by Arçelik and its Subsidiaries (%) 31 December 2005**
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
Beko France S.A. (“Beko France”)	99,94	99,94
Beko Llc.	100,00	100,00
Beko Plc.	50,00	50,00
Beko S.A. (“Beko Polska”)	100,00	100,00
Beko S.A. Czech Republic (“Beko Czech Republic”) (*)	100,00	100,00
Beko S.A. Hungary (“Beko Hungary”) (*)	100,00	100,00
Blomberg Vertriebsgesellschaft GmbH (“Blomberg Vertrieb”)	100,00	100,00
Blomberg Werke GmbH (“Blomberg Werke”)	100,00	100,00
Elektra Bregenz (“Elektra Bregenz”)	100,00	100,00
Raupach Wollert GmbH (“Raupach”)	100,00	100,00
SC Arctic SA (“Arctic”)	96,69	96,69
Sherbrook International Limited (“Sherbrook”)	55,00	55,00

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

Ardutch, incorporated in the Netherlands, and Raupach, incorporated in Germany, act as holding and finance companies.

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

Beko Espana, Beko France, Beko Plc, Elektra Bregenz and Beko Polska, incorporated in Spain, France, the United Kingdom, Austria and Poland, respectively, deal with the import, distribution and marketing of durable consumer goods.

Beko Hungary and Beko Czech Republic have been incorporated as branches of Beko Polska and are engaged in the same operations with Beko Polska.

Beko Llc., incorporated in Russia, and Arctic, incorporated in Romania, are engaged in the production, import, export, distribution and marketing of durable consumer goods.

Blomberg Werke and Blomberg Vertrieb, incorporated in Germany, are in the liquidation process.

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

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

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

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

The table below sets out the Associates and shows their shareholding ratio at 30 June 2006 and 31 December 2005:

	Direct and indirect control by Arçelik and its Subsidiaries (%) 30 June 2006	**Direct and indirect control by Arçelik and its Subsidiaries (%) 31 December 2005**
Arçelik-LG Klima Sanayi ve Ticaret A.Ş. ("Arçelik - LG")	45,00	45,00
Beko Elektronik A.Ş. ("Beko Elektronik")	22,36	22,36
Koç Tüketici Finansmanı ve Kart Hizmetleri A.Ş. ("Koç Tüketici Finans")	39,50	39,50
Ram Dış Ticaret A.Ş. ("Ram Dış Ticaret")	26,75	26,75
Ram Pacific Ltd. ("Ram Pacific")	25,00	25,00
Tanı Pazarlama ve İletişim Hizmetleri A.Ş. ("Tanı Pazarlama")	32,00	32,00

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

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.

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.

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.

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

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

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

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

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

(e) The results of operations 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.

2.5 Comparatives

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

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

According to IFRS 3 ("Business Combinations"), the carrying value of previously recognised negative goodwill is derecognised at the beginning of the period, with a corresponding adjustment to the 1 January 2005 opening balance of retained earnings (Note 3.9).

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

2.7 Offsetting

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

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

As of 30 June 2006, 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 interim financial statements are summarised below:

3.1 Related parties

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

3.2 Trade receivables

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

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

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

3.3 Credit finance income/charges

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

3.4 Loans and provisions for loan impairment

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the current period's income statement.

3.5 Financial assets

Investment securities with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale. These are included in non-current assets unless management has the intention of holding the investment securities for less than 12 months from the balance sheet date, or unless they will need to be sold to raise working capital, in which case they are included in current assets. Management determines the appropriate classification of its investment securities at the time of the purchase and re-evaluates such a designation on a regular basis. The unrealised gains and losses arising from changes in the fair value of available-for-sale securities are deferred to in the equity under "financial assets fair value reserve" until the financial asset is sold, collected or otherwise disposed of. When available-for-sale securities are sold, collected or otherwise disposed of, related deferred gains and losses in equity are released to the income statement (Note 16).

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

3.6 Inventories

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

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Property, plant, equipment and depreciation

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

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

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

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

3.8 Intangible assets

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

3.9 Goodwill and amortisation of goodwill

Effective from 1 January 2005, in accordance with IFRS 3 – “Business Combinations”, goodwill is accounted for the excess of the cost of a business combination over the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill recognised in a business combination is tested for impairment annually (as of 31 December) or more frequently if events or changes in circumstances indicate impairment, instead of amortisation (Note 17).

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

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Finance leases

(1) The Group as the lessee

Finance leases

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

Operating leases

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

(2) The Group as the lessor

Finance leases

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

Operating leases

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

3.11 Borrowing cost

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

3.12 Deferred income taxes

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

3.13 Employment termination benefits

Employment termination benefits represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees upon the completion of minimum one year service calculated in accordance with the Turkish Labour Law (Note 23).

3.14 Foreign currency transactions

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

3.15 Revenue recognition

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

3.16 Interest income

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

3.18 Dividends

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

3.19 Warranties

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

3.20 Investment, research and development incentives

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

3.21 Share premium

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

3.22 Financial instruments and financial risk management

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 majority of the receivables are from authorised dealers and related parties. The Group has in place effective credit evaluation, disbursement and monitoring procedures and those control procedures are supported by senior management. The credit risk is generally highly diversified due to the large number of entities comprising the customer bases. Another method in managing credit risk is the adequate collateral received from authorised dealers.

Foreign currency risk

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

Fair value of financial instruments

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

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

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

Monetary assets

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

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

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

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Monetary liabilities

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

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

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

3.23 Provisions

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

3.24 Contingent assets and liabilities

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

3.25 Earnings per share

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

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

No bonus shares have been issued during the period.

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.26 Reporting of cash flows

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

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

	30 June 2006	30 June 2005
Cash and cash equivalents - maturities of less than 3 months (Note 4)	165.854	272.599
	165.854	**272.599**

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 June 2006	31 December 2005
Cash in hand	131	72
Cash at banks		
- demand deposits	53.286	54.459
- time deposits	71.855	160.097
Cheques and notes	39.470	52.086
Other	1.112	477
	165.854	**267.191**

As of 30 June 2006 and 31 December 2005, maturities of cash and cash equivalents are as follows:

	30 June 2006	31 December 2005
Up to 30 days	165.673	246.719
30 – 90 days	181	20.472
	165.854	**267.191**

As of 30 June 2006 and 31 December 2005, interest rates of time deposits are as follows:

	30 June 2006 %	31 December 2005 %
TRY time deposits	-	12,75-15,00
Foreign currency time deposits	1,60-5,00	1,00-4,75

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

NOTE 5 - MARKETABLE SECURITIES

There are no short-term marketable securities at 30 June 2006 (31 December 2005: None).

NOTE 6 - BORROWINGS

(a) Short-term bank borrowings

	30 June 2006	31 December 2005
Open credits	112.706	-
Eximbank loans	29.087	32.682
Foreign currency loans	1.005	3.179
	142.798	**35.861**

Interest rates for short-term TRY loans for the period ended 30 June 2006 range from 11,00% to 17,75% (31 December 2005: 12,00-13,00%). The interest rate for short-term foreign currency loans for the period ended 30 June 2006 is 3,89% (31 December 2005: 3,89-6,00%).

(b) Long-term bank borrowings

As of 30 June 2006, long-term bank borrowings are as follows:

Currency	Interest rate per annum (%)	Original foreign currency	Balance outstanding TRY
USD	Libor+0,80-2,30 and 8%	119.648.869	191.785
GBP	Libor+0,65-2,75	50.353.783	146.358
EUR	Euro Libor+1,10-2,75	197.810.054	397.499
RON	7,10%	37.320.425	21.016
TRY	13,75%-13,90%	229.560.520	229.561
			986.219
Less: Current maturities			(198.623)
			787.596

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

NOTE 6 – BORROWINGS (Continued)

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

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

The Company has syndication loans from the International Finance Corporation ("IFC") in the amount of USD3.500.000, EUR160.000.000 and from the Netherlands Development Finance Company ("FMO") in the amount of EUR16.666.667 at 30 June 2006. Loans obtained for general usage purposes consist of the purchase of equipment and other fixed assets for production and modernisation purposes, research and development and new product development, as well as acquisitions and increased working capital requirements.

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

	30 June 2006	**31 December 2005**
2007	199.420	243.200
2008	251.019	104.142
2009	197.417	85.238
2010	86.167	65.009
2011 and over	53.573	46.058
	787.596	**543.647**

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables	**30 June 2006**	**31 December 2005**
Trade receivables	934.041	439.722
Notes receivables	1.121.865	1.070.872
Cheques receivables	123.639	174.462
Doubtful receivables	17.878	16.437
	2.197.423	**1.701.493**
Less: Provision for doubtful receivables	(10.312)	(9.598)
Less: Unearned credit income	(141.349)	(91.806)
	2.045.762	**1.600.089**

Long-term trade receivables		
Trade receivables	85.238	17.973
Deposits and guarantees given	1.116	804
	86.354	**18.777**

Short-term trade payables		
Trade payables	488.710	356.005
Deposits and guarantees received	1.516	1.687
Unearned credit finance charges	(7.665)	(5.260)
	482.561	**352.432**

NOTE 8 - LEASE RECEIVABLES AND PAYABLES

(a) Finance lease receivables

There are no finance lease receivables at 30 June 2006 (31 December 2005: None).

(b) Finance lease payables	**30 June 2006**	**31 December 2005**
Short-term finance lease payables	175	208
Long-term finance lease payables	123	140
	298	**348**

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

	30 June 2006	**31 December 2005**
2007	74	118
2008	49	22
	123	**140**

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

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

(i) Balances with related parties

(a) Due from related parties

	30 June 2006	31 December 2005
Ram Dış Ticaret A.Ş.	78.286	65.933
Akpa Dayanıklı Tüketim Mal.San.Tic.Ltd.Şti.	40.600	19.014
Beko Elektronik A.Ş.	18.286	7.774
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	11.657	3.615
Türk Demir Döküm Fabrikaları A.Ş.	11.499	16.829
Other	15.843	7.747
	176.171	**120.912**
Due from personnel	1.093	356
	177.264	**121.268**

(b) Due to related parties

	30 June 2006	31 December 2005
Beko Elektronik A.Ş.	357.371	308.629
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	136.349	82.558
Ram Dış Ticaret A.Ş.	99.862	79.653
Kofisa SA	37.868	9.180
Türk Demir Döküm Fabrikaları A.Ş.	27.722	6.269
Ram Pacific Ltd.	18.919	8.936
Döktaş A.Ş.	16.528	10.877
Beko Ticaret A.Ş.	10.219	14.607
Other	8.980	43.786
	713.818	**564.495**
Due to personnel	5.807	14.060
Less: Unearned credit finance charged to related parties	(32.642)	(24.099)
	686.983	**554.456**

(c) Deposits

	30 June 2006	31 December 2005
Koçbank A.Ş.		
- time deposits	49.707	54.736
- demand deposits	4.558	666
Yapı ve Kredi Bankası A.Ş.		
- demand deposits	1.980	124
	56.245	**55.526**

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

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

(ii) Transactions with related parties

(a) Sales

	1 January - 30 June 2006	1 January - 30 June 2005	1 April - 30 June 2006	1 April - 30 June 2005
Ram Dış Ticaret A.Ş.	106.352	82.647	64.109	41.834
Akpa Dayanıklı Tüketim Mal.San.Tic.Ltd.Şti.	50.382	31.571	34.369	17.922
Kofisa SA	7.552	11.043	1.357	6.685
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	7.194	4.110	5.171	1.753
Other	23.679	12.625	16.262	6.281
	195.159	**141.996**	**121.268**	**74.475**

(b) Purchases

	1 January - 30 June 2006	1 January - 30 June 2005	1 April - 30 June 2006	1 April - 30 June 2005
Beko Elektronik A.Ş.	405.963	340.864	209.427	152.283
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	142.647	101.010	104.433	70.759
Ram Dış Ticaret A.Ş.	127.266	202.728	82.928	101.391
Kofisa SA	65.157	57.206	35.879	34.482
Döktaş A.Ş.	33.193	28.229	17.484	26.731
Ram Pacific Limited	32.690	9.330	21.021	7.372
Türk Demir Döküm Fabrikaları A.Ş.	28.111	25.662	16.581	12.666
Beko Ticaret A.Ş.	27.186	34.537	14.880	15.882
Other	48.234	36.600	19.045	19.630
	910.447	**836.166**	**521.678**	**441.196**
Less: Credit finance charges to related parties (Note 39)	(15.102)	(14.891)	(8.785)	(12.425)
	895.345	**821.275**	**512.893**	**428.771**

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

	1 January - 30 June 2006	1 January - 30 June 2005	1 April - 30 June 2006	1 April - 30 June 2005
Beko Elektronik A.Ş.	(10.071)	(13.672)	(10.508)	(7.311)
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	10.785	3.470	7.805	1.595
Koç Tüketici Finansmanı ve Kart Hizmetleri A.Ş.	7.114	4.058	5.864	1.937
Ram Dış Ticaret A.Ş.	355	611	251	348
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	(330)	(227)	(262)	(179)
Ram Pacific	963	567	676	290
	8.816	**(5.193)**	**3.826**	**(3.320)**

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

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

(d) Other transactions with related parties

	1 January - 30 June 2006	1 January - 30 June 2005	1 April - 30 June 2006	1 April - 30 June 2005
Dividends paid	207.378	231.487	207.378	229.305
Interest income	1.638	8.038	901	2.650
Technical service assistance income	1.531	1.394	727	704
Rent income	19	117	10	83
Dividend income	-	411	-	411
Other income	731	265	149	252

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

Other short-term financial liabilities

	30 June 2006	31 December 2005
Taxes and duties payable	44.548	43.397
Rescheduled taxes payable	6.159	12.297
	50.707	**55.694**

Other long-term financial liabilities

	30 June 2006	31 December 2005
Rescheduled taxes payable	11.052	10.676
	11.052	**10.676**

NOTE 11 - BIOLOGICAL ASSETS

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

NOTE 12 - INVENTORIES

	30 June 2006	31 December 2005
Raw materials and supplies	237.226	202.433
Semi-finished goods	25.428	20.728
Finished goods	116.052	117.890
Merchandise	213.122	161.847
Goods-in-transit	182.638	122.028
	774.466	**624.926**
Less: Provision for slow-moving and obsolete inventories	(3.250)	(5.652)
	771.216	**619.274**

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

NOTE 13 - CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLINGS

The Group has no construction contract receivables or progress billings.

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes

	30 June 2006	31 December 2005
Deferred tax assets	27.180	210
Deferred tax liabilities	(2.221)	(12.033)
Deferred tax liabilities- net	**24.959**	**(11.823)**

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

Tax rates used for the calculation of deferred tax assets and liabilities calculated based on temporary differences expected to be realised or settled based on the taxable income in coming years under the liability method are 20% (Note 41), 30%, 19% and 16% for Turkey, the United Kingdom, Poland and Romania, respectively.

The breakdowns of cumulative temporary differences and the resulting deferred tax assets/(liabilities) provided at 30 June 2006 and 31 December 2005 using the enacted tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	30 June 2006	31 December 2005	30 June 2006	31 December 2005
Net difference between the tax base and carrying amount of property plant and equipment and intangible assets	254.310	274.933	(49.757)	(79.313)
Provision for warranties and assembly	(205.195)	(119.394)	41.096	34.956
Portion of allowance for unearned credit finance income and expense that is currently non-tax deductible/taxable	(100.440)	(60.955)	20.088	18.287
Provision for employment termination benefits	(47.484)	(42.966)	9.465	12.889
Unused tax credits	(4.844)	(4.053)	775	649
Other provisions	(18.463)	(5.279)	3.292	709
Deferred tax assets/(liabilities)-net			**24.959**	**(11.823)**

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

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

Other current assets

	30 June 2006	31 December 2005
Value-added Tax (VAT) receivable	11.506	22.739
Prepaid expenses	9.108	5.481
Assets held for sale	4.019	3.175
Taxes and funds deductible	2.608	20.288
Other	2.893	1.348
	30.134	**53.031**

Other current liabilities

	30 June 2006	31 December 2005
Warranty provision	94.918	81.130
Accrual for customer premiums	69.922	-
Assembly provision	46.030	22.782
Accrual for marketing and sales expenses	42.656	12.995
Accrual for transportation expenses	13.017	8.319
Accrual for bonuses and premiums	10.490	3.112
Deferred income	844	14.220
Other	37.020	22.172
	314.897	**164.730**

Other non-current liabilities

	30 June 2006	31 December 2005
Warranty provision	97.719	50.962
Deferred income	1.832	1.889
Other	556	792
	100.107	**53.643**

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

NOTE 16 - FINANCIAL ASSETS

	30 June 2006	31 December 2005
Available-for-sale investments	516.719	464.853
Held-to-maturity investments	116.216	55.802
Investments in associated companies	145.204	137.958
	778.139	**658.613**

i. Available-for-sale investments:

	30 June 2006		31 December 2005	
	%	TRY	%	TRY
Koç Finansal Hizmetler A.Ş.	6,96	500.611	6,96	448.270
Entek Elektrik A.Ş.	6,86	15.782	6,86	15.782
Arcelitalia (**)	100,00	191	100,00	191
Tat Konserve Sanayii A.Ş.	0,34	61	0,34	71
Eco Systems	2,00	32	2,00	32
Beko Cesko	100,00	16	0,00	-
Ceced Romania	32,50	13	0,00	-
Beko Slovakia S.R.O. (**)	100,00	11	-	-
ArticPro SRL	0,99	1	0,99	1
Çerkezköy Enerji A.Ş.	0,00	1	0,00	1
Archin Limited (**)	99,99	-	99,99	-
Arctic Service (**)	100,00	-	100,00	-
Basic International Investment Ltd. (***)	20,00	-	20,00	-
Srccb SA	8,30	-	8,30	-
Idea A.Ş.	2,67	-	2,67	-
Banca Internationala a Religiflor	0,80	-	0,80	-
Ubicom Inc.	0,02	-	0,02	-
Beko Hungary (*) (**)	-	-	100,00	410
Beko Czech Republic (*) (**)	-	-	100,00	95
		516.719		**464.853**

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

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

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

Impairment loss provision for available-for-sale investments amount to TRY71.380 at 30 June 2006 (31 December 2005: TRY70.942).

The unrealised gains (net) arising from changes in the fair value of investments in Koç Finansal Hizmetler A.Ş., Entek Elektrik A.Ş. and Tat Konserve Sanayi A.Ş. amounting to TRY292.730 is recognised in equity under “financial assets fair value reserve” at 30 June 2006 (31 December 2005: TRY240.399).

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

NOTE 16 - FINANCIAL ASSETS (Continued)

ii. Held-to-maturity investments:

	30 June 2006	31 December 2005
Time deposits (USD)	96.174	39.025
Euro bonds (USD)	20.042	16.777
	116.216	**55.802**

Interest rate of time deposits at 30 June 2006 ranges from 7,25% to 7,75% (31 December 2005: 8,00%). Interest rate for Eurobonds held at 30 June 2006 is 9,88% (31 December 2005: 9,88%).

iii. Investments in associated companies

The respective shares of the Company and its Subsidiaries in investments in associated companies at 30 June 2006 and 31 December 2005 are as follows:

	30 June 2006		31 December 2005	
	%	TRY	%	TRY
Beko Elektronik A.Ş.	22,36	52.061	22,36	60.857
Arçelik LG Klima Sanayi ve Ticaret A.Ş.	45,00	46.509	45,00	38.964
Koç Tüketici Finansmanı ve Kart Hizmetleri A.Ş.	39,50	39.006	39,50	31.892
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	32,00	2.681	32,00	3.011
Ram Pacific Ltd.	25,00	2.730	25,00	1.372
Ram Dış Ticaret A.Ş.	26,75	2.217	26,75	1.862
		145.204		**137.958**

Income/(loss) from investments in associated companies is disclosed in Note 9.ii.c.

The Group's share of Associates' current period changes in the financial assets fair value reserve (net) amounting to TRY6.459 is recognised in the financial assets fair value reserve in the consolidated interim statement of shareholders' equity at 30 June 2006 (31 December 2005: TRY5.274).

NOTE 17 - GOODWILL/NEGATIVE GOODWILL

	1 January 2006	Additions	Disposals	Currency translation difference	30 June 2006
Goodwill	79.010	-	-	563	79.573
Accumulated amortisation	(39.742)	-	-	(183)	(39.925)
Net book value	**39.268**				**39.648**

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

NOTE 18 – INVESTMENT PROPERTY

The Group has no investment property.

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2006	Additions	Disposals	Transfers	Currency translation difference	30 June 2006
Cost						
Land	13.813	134	(452)	-	730	14.225
Land improvement	17.205	-	-	-	54	17.259
Buildings	235.445	61	(45)	8	9.663	245.132
Machinery and equipment	1.667.988	13.562	(25.587)	11.090	27.233	1.694.286
Motor vehicles, furniture and fixtures	154.304	4.003	(967)	-	11.087	168.427
Construction in progress	45.508	119.551	-	(11.098)	10.806	164.767
Advances given	4.305	4.988	-	-	1.124	10.417
Leasehold improvements	31.798	357	-	-	375	32.530
	2.170.366	**142.656**	**(27.051)**	**-**	**61.072**	**2.347.043**
Accumulated Depreciation						
Land improvement	(7.309)	(327)	-	-	(11)	(7.647)
Buildings	(99.838)	(4.912)	38	-	(4.008)	(108.720)
Machinery and equipment	(1.245.732)	(61.660)	22.984	-	(15.588)	(1.299.996)
Motor vehicles, furniture and fixtures	(119.552)	(6.115)	889	-	(8.853)	(133.631)
Leasehold improvements	(9.643)	(2.669)	-	-	(95)	(12.407)
	(1.482.074)	**(75.683)**	**23.911**	**-**	**(28.555)**	**(1.562.401)**
Net book value	**688.292**					**784.642**

There is no mortgage on property, plant and equipment at 30 June 2006 (31 December 2005: TRY15.874).

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

NOTE 20 - INTANGIBLE ASSETS

	1 January 2006	Additions	Disposals	Transfers	Currency translation difference	30 June 2006
Cost						
Rights	88.473	3.042	(14)	-	3.206	94.707
Other intangible assets	1.036	18	-	-	276	1.330
	89.509	**3.060**	**(14)**	**-**	**3.482**	**96.037**
Accumulated amortisation						
Rights	(31.904)	(1.416)	13	-	(1.156)	(34.463)
Other intangible assets	(1.032)	(2)	-	-	(274)	(1.308)
	(32.936)	**(1.418)**	**13**	**-**	**(1.430)**	**(35.771)**
Net book value	**56.573**					**60.266**

NOTE 21 - ADVANCES RECEIVED

	30 June 2006	31 December 2005
Order advances received	5.092	195.148
Other advances received	326	281
	5.418	**195.429**

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 (TRY) unless otherwise indicated)

NOTE 23 - PROVISIONS

a) Short-term provisions

	30 June 2006	31 December 2005
Tax provision (Note 41)	12.835	3.809

b) Long-term provisions

	30 June 2006	31 December 2005
Provision for employment termination benefits	49.170	43.849

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

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

The amount payable consists of one month's salary limited to a maximum of TRY1,77062 (31 December 2005: TRY1,72715) for each period of service at 30 June 2006.

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

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

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

	30 June 2006	31 December 2005
Discount rate (%)	5,49	5,49
Turnover rate to estimate the probability of retirement (%)	99	99

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TRY1,81528 (1 January 2006: TRY1,77062) which is effective from 1 July 2006 has been taken into consideration in calculating the reserve for employment termination benefit of the Company and its Turkish associates.

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

NOTE 23 – PROVISIONS (Continued)

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

	30 June 2006	30 June 2005
Balance at the beginning of the period	**43.849**	**39.502**
Increase in the period	8.152	3.976
Payments during the period	(3.067)	(3.451)
Currency translation difference	236	(115)
Disposal of subsidiary (Artesis)	-	(67)
Balance at the end of the period	**49.170**	**39.845**

NOTE 24 - MINORITY INTEREST

Changes in minority interest during the period are as follows:

	30 June 2006	30 June 2005
Balance at the beginning of the period	**21.837**	**22.019**
Dividend payments	(7.398)	(2.310)
Currency translation differences	4.397	(1.191)
Disposal of subsidiary (Artesis)	-	(548)
Net income attributable to minority interest	3.526	2.358
Balance at the end of period	**22.362**	**20.328**

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

NOTE 25 - SHARE CAPITAL/ADJUSTMENT TO SHARE CAPITAL

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

The Company's historical registered and authorised and paid-in share capital at 30 June 2006 and 31 December 2005 are as follows:

	30 June 2006	31 December 2005
Limit on registered share capital	500.000	500.000
Authorised and paid-in share capital	399.960	399.960

At 30 June 2006 and 31 December 2005, the shareholding structure can be summarised as follows:

	30 June 2006		31 December 2005	
Shareholders	**Share %**	**Amount**	**Share %**	**Amount**
Koç Holding	39,14	156.546	39,14	156.546
Teknosan A.Ş.	14,68	58.709	14,68	58.709
Koç Family	9,81	39.252	9,81	39.252
Burla Ticaret ve Yatırım A.Ş.	7,66	30.649	7,66	30.649
Koç Holding Emekli ve Yardım Sandığı Vakfı	4,50	17.982	4,50	17.982
Other	24,21	96.822	24,21	96.822
Total	100,00	399.960	100,00	399.960
Adjustment to share capital		468.811		468.811
Total paid-in share capital		**868.771**		**868.771**

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company distributed dividends of TRY199.980 from extraordinary reserves and current year tax exemptions income during the period ended at 30 June 2006.

Inflation adjustment to shareholders' equity and extraordinary reserves can either be netted-off against prior years' losses or used in the distribution of bonus shares or in distributions of dividends to shareholders. In accordance with the Communiqué No:XI-25, at 30 June 2006 and 31 December 2005 the shareholders' equity schedule is as follows:

	30 June 2006	31 December 2005
Paid-up capital	399.960	399.960
Legal reserves	61.759	31.359
Extraordinary reserves	-	-
Share premium	-	-
Inflation adjustment to shareholders' equity	748.984	748.984
Financial assets fair value reserve	299.189	245.673
Net income	200.003	312.153
Prior years' income/(losses)	100.874	19.101
Share premium arising from the fair value of the acquired assets and liabilities	256.707	256.707
Translation reserve	31.355	(26.881)
Total shareholders' equity	**2.098.831**	**1.987.056**

Details of the inflation adjustment to shareholders' equity as of 30 June 2006 and 31 December 2005 are as follows:

	Nominal value	Restated amounts	Inflation adjustment to shareholders' equity
Share capital	399.960	868.771	468.811
Offsetting difference (*)	-	280.173	280.173
	399.960	1.148.944	748.984

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

NOTE 29– FOREIGN CURRENCY POSITION

Assets and liabilities denominated in foreign currency at 30 June 2006 and 31 December 2005 are as follows:

	30 June 2006	31 December 2005
Assets	1.205.686	873.507
Liabilities	(1.302.077)	(900.551)
Net foreign currency position	**(96.391)**	**(27.044)**

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

NOTE 29– FOREIGN CURRENCY POSITION (Continued)

TRY equivalents of assets and liabilities denominated in foreign currency at 30 June 2006 are as follows:

	EUR	USD	GBP	Other	Total
Current assets:					
Cash and cash equivalents	76.687	25.448	7.322	13.737	123.194
Trade receivables (net)	385.683	64.386	115.133	82.638	647.840
Due from related parties (net)	4.832	554	17.700	185	23.271
Other receivables (net)	-	-	-	-	-
Inventories (net)	91.758	-	92.901	79.212	263.871
Other current assets	16.641	105	2.947	9.324	29.017
Non-current assets:					
Trade receivables (net)	1.068	-	-	-	1.068
Financial assets (net)	-	116.216	-	-	116.216
Deferred tax assets	147	-	343	719	1.209
Other non-current assets	-	-	-	-	-
Total assets	**576.816**	**206.709**	**236.346**	**185.815**	**1.205.686**
Current liabilities:					
Short-term bank borrowings	1.005	-	-	-	1.005
Current maturities of long-term bank borrowings	38.663	23.481	6.842	77	69.063
Lease payables (net)	-	-	163	12	175
Other financial liabilities (net)	3.586	-	9.637	2.093	15.316
Trade payables (net)	133.581	26.621	6.299	21.986	188.487
Due to related parties (net)	147.581	14.825	47.164	1.278	210.848
Advances received	18	-	-	4	22
Provisions	243	-	2.491	46	2.780
Other current liabilities (net)	42.357	661	52.709	13.490	109.217
Non-current liabilities:					
Long-term bank borrowings (net)	358.836	168.305	139.516	20.938	687.595
Lease payables (net)	-	-	84	39	123
Other financial liabilities (net)	-	-	-	4.923	4.923
Provisions	1.686	-	-	813	2.499
Deferred tax liabilities	-	-	-	2.221	2.221
Other non-current liabilities (net)	559	-	-	7.244	7.803
Total liabilities	**728.115**	**233.893**	**264.905**	**75.164**	**1.302.077**
Net position	**(151.299)**	**(27.184)**	**(28.559)**	**110.651**	**(96.391)**

The net foreign currency position of the Group as of 30 June 2006 is negative TRY96.391 equivalent to EUR47.967.654.

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

NOTE 29– FOREIGN CURRENCY POSITION (Continued)

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

	EUR	USD	GBP	Other	Total
Current assets:					
Cash and cash equivalents	118.871	15.645	39.816	10.978	185.310
Trade receivables (net)	206.588	26.198	67.247	57.611	357.644
Due from related parties (net)	78.710	1.716	16.106	418	96.950
Other receivables (net)	-	-	-	-	-
Inventories (net)	53.399	-	67.233	36.862	157.494
Other current assets	12.807	24	27	6.460	19.318
Non-current assets:					
Trade receivables (net)	779	-	-	-	779
Financial assets (net)	-	55.802	-	-	55.802
Deferred tax assets	-	-	-	210	210
Other non-current assets	-	-	-	-	-
Total assets	**471.154**	**99.385**	**190.429**	**112.539**	**873.507**
Current liabilities:					
Short-term bank borrowings	3.175	-	4	-	3.179
Current maturities of long-term bank borrowings	37.483	34.422	13.274	-	85.179
Lease payables (net)	-	-	138	70	208
Other financial liabilities (net)	2.205	-	6.244	811	9.260
Trade payables (net)	78.486	13.445	3.601	7.520	103.052
Due to related parties (net)	126.564	8	39.470	5.858	171.900
Advances received	-	-	9	1	10
Provisions	623	-	503	158	1.284
Other current liabilities (net)	36.923	2.206	42.815	10.973	92.917
Non-current liabilities:					
Long-term bank borrowings (net)	300.090	52.573	65.984	-	418.647
Lease payables (net)	-	-	126	414	140
Other financial liabilities (net)	-	-	-	4.546	4.546
Provisions	884	-	-	8	892
Deferred tax liabilities	-	-	256	1.123	1.379
Other non-current liabilities (net)	792	-	-	7.166	7.958
Total liabilities	**587.225**	**102.654**	**172.424**	**38.248**	**900.551**
Net position	**(116.071)**	**(3.269)**	**18.005**	**74.291**	**(27.044)**

The net foreign currency position of the Group as of 31 December 2005 is negative TRY27.044 equivalent to EUR17.035.531.

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

NOTE 30 - GOVERNMENT GRANTS

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

a) 100% exemption from customs duty on machinery and equipment to be imported,
b) Value-added tax exemption with respect to purchases of investment goods both from domestic and export markets,
c) Exemption of tax and funds (for the incentive 72396),
d) 40% of the research and development expenditures (Note 41),
e) Inward Processing Permission Certificates (Note 31).

NOTE 31 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

Provisions

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

Commitments and contingent liabilities

a) Guarantees and commitments given are as follows at 30 June 2006 and 31 December 2005:

	30 June 2006	31 December 2005
Collateral obtained	1.152.823	1.074.657
Guarantee notes given	41.409	41.657
Pledges given	13.137	13.137
Forward commitments	4.641	4.280
Other guarantees	120	185

b) In connection with the Inward Processing Permission Certificates, the Company has committed to realise export sales amounting to USD883.163.491 in 2006 (2005: USD1.414.925.057).

c) The export commitments in the scope of the Investment Incentive Certificates at 30 June 2006 amount to USD1.000 (31 December 2005: USD21.000).

d) In connection with the Investment Incentives Certificates, the Company has not committed to realise any capital increase at 30 June 2006 (31 December 2005: TRY102.103).

NOTE 32 - BUSINESS COMBINATIONS

There have been no business combinations in 2006 and 2005.

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

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 has been identified.

Secondary reporting format - Geographical segment

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

Segment sales	**1 January - 30 June 2006**	**1 January - 30 June 2005**	**1 April - 30 June 2006**	**1 April - 30 June 2005**
Turkey	1.717.475	1.480.515	996.237	772.775
Europe	928.228	823.045	525.065	435.021
Other	169.406	113.666	89.217	64.343
	2.815.109	**2.417.226**	**1.610.519**	**1.272.139**

Segment assets	**30 June 2006**	**31 December 2005**
Turkey	4.160.393	3.565.009
Europe	653.566	511.323
Other	152.500	46.254
	4.966.459	**4.122.586**

Segment capital expenditure	**1 January - 30 June 2006**	**1 January - 30 June 2005**	**1 April - 30 June 2006**	**1 April - 30 June 2005**
Turkey	47.748	57.042	32.848	40.912
Europe	13.678	11.500	4.355	7.198
Other(*)	84.290	-	52.091	-
	145.716	**68.542**	**89.294**	**48.110**

(*) Consists of capital expenditure in Russia.

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

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

NOTE 34 - SUBSEQUENT EVENTS

None.

NOTE 35 – DISCONTINUED OPERATIONS

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

NOTE 36 - OPERATING INCOME

	1 January - 30 June 2006	1 January - 30 June 2005	1 April - 30 June 2006	1 April - 30 June 2005
Domestic sales	1.814.774	1.547.909	1.058.735	807.805
Foreign sales	1.205.190	1.016.909	684.974	543.437
Gross sales	**3.019.964**	**2.564.818**	**1.743.709**	**1.351.242**
Less: Discounts	(204.855)	(147.592)	(133.190)	(79.103)
Net sales	**2.815.109**	**2.417.226**	**1.610.519**	**1.272.139**

NOTE 37– OPERATING EXPENSES

	1 January - 30 June 2006	1 January - 30 June 2005	1 April - 30 June 2006	1 April - 30 June 2005
Research and development expenses	(23.951)	(24.261)	(12.761)	(12.435)
Selling and marketing expenses	(368.888)	(267.655)	(222.301)	(147.338)
General administrative expenses	(127.952)	(109.359)	(71.366)	(52.969)
Operating expenses	**(520.791)**	**(401.275)**	**(306.428)**	**(212.742)**

(Amounts expressed in thousands of New Turkish lira (TRY) 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 2006	1 January - 30 June 2005	1 April - 30 June 2006	1 April - 30 June 2005
Other income				
Reversal of provisions	8.908	2.166	7.558	1.149
Income from indemnities and incentives	2.513	1.742	2.019	837
Service income	470	1.375	287	137
Other	2.210	3.854	2.038	1.829
Other income and profit	**14.101**	**9.137**	**11.902**	**3.952**

	1 January - 30 June 2006	1 January - 30 June 2005	1 April - 30 June 2006	1 April - 30 June 2005
Other expenses				
Impairment losses of assets	(1.449)	(1.082)	(741)	(135)
Provision for doubtful receivables	(675)	(734)	(202)	(154)
Restructuring expenses	-	(1.287)	-	(1.287)
Loss from investment sales	-	(102)	-	(102)
Other	(3.163)	(3.223)	(1.824)	(2.974)
Other expenses and losses	**(5.287)**	**(6.428)**	**(2.767)**	**(4.652)**

NOTE 39 - FINANCIAL INCOME/EXPENSES

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

	1 January - 30 June 2006	1 January - 30 June 2005	1 April - 30 June 2006	1 April - 30 June 2005
Credit finance income	52.753	71.750	16.013	29.089
Foreign exchange gains	132.997	58.425	117.092	46.937
Interest income from bank deposits and loan to banks secured with government bonds and treasury bills	5.895	12.749	4.279	5.045
Other	1.001	1.230	405	806
Financial income	**192.646**	**144.154**	**137.789**	**81.877**
Foreign exchange losses	(114.939)	(59.520)	(101.790)	(45.961)
Credit finance charges	(36.040)	(47.150)	(7.734)	(14.632)
Interest on borrowings	(31.853)	(17.397)	(19.456)	(15.935)
Cash discounts expenses	(7.772)	(10.057)	(3.962)	(5.770)
Other	(1.344)	(391)	(451)	(245)
Financial expenses	**(191.948)**	**(134.515)**	**(133.393)**	**(82.543)**
Financial income/(expenses), net	**698**	**9.639**	**4.396**	**(666)**

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

NOTE 40 - NET MONETARY POSITION GAIN/LOSSES

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

NOTE 41 – TAXES ON INCOME

	30 June 2006	**31 December 2005**
Corporation and income taxes	62.100	108.229
Less: prepaid tax	(49.265)	(104.420)
Taxes payable , net	12.835	3.809
Deferred tax liabilities, net	(24.959)	11.823
	(12.124)	**15.632**

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

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

Corporations established abroad and controlled directly or indirectly by tax resident companies and real persons by means of separate or joint participation in the capital or dividends or voting rights at the rate of a minimum 50% are considered as Controlled Foreign Corporations "CFC" provided that the below conditions are fulfilled:

a) 25% or more of the gross revenue of the foreign subsidiary must be composed of passive income like interest, dividend, rent, license fee, or marketable securities sales income;
b) The CFC must be subject to an effective income tax rate lower than 10% for its commercial profit in its home country; and,
c) Gross revenue of the CFC must exceed the equivalent of TRY100 in a foreign currency in the related period.

NOTE 41 – TAXES ON INCOME (Continued)

CFC's profit is included in the corporate income tax base of the controlling resident corporation, irrespective of whether it is distributed or not, at the rate of the shares controlled, in the fiscal period covering the month of closing of the fiscal period of the CFC. The CFC's profit that has already been taxed in Turkey as per this article will not be subject to additional tax in Turkey in the event of dividend distribution; whereas the portion of the profit distributed that has not been previously taxed in Turkey will be subject to taxation.

If the ratio of the borrowings from shareholders or from persons related to the shareholders exceeds three times the shareholders' equity of the borrower company at any time within the relevant year, the exceeding portion of the borrowing will be considered as thin capital. Accordingly, under the new thin capitalisation regulation, the ratio of the loans received from related parties to shareholders' equity will be considered as three to one. Except for the loans received from credit institutions that provide loans only to related companies, half of the loans received from related banks and similar institutions is to be taken into account during thin capitalisation calculations.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes effective from 1 January 2007. The expression "purchase or sale of goods or services" is used in a broad sense and includes all economic, commercial or financial transactions and employment relations between related parties.

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

All sorts of payments made to corporations (including branches of resident corporations) that are established or are operational in countries which are regarded by the Council of Ministers to undermine fair tax competition due to tax and other practices, will be subject to taxation in Turkey irrespective of the fact that the payments in question are subject to tax or not; or, whether the corporation receiving the payment is a taxpayer or not. In this case, withholding tax at the rate of 30% is envisaged to be levied over these payments.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is declared by 10th and payable by the 17th of the second month following each calendar quarter end. Upon enactment of the new Law, the companies offset the excess amount of advance tax paid to tax office computed over 30% for the first quarter against the following advance taxes to be calculated over 20% for the second quarter of 2006. Advance tax paid by corporations is credited against the annual corporation tax liability. The remaining balance of the advance tax paid may be refunded or offset against other liabilities to the government.

NOTE 41 – TAXES ON INCOME (Continued)

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. In accordance with the Law in question, the cumulative inflation rate for the last 36 months and the inflation rate for the last 12 months must exceed 100% and 10% respectively (SIS WPI increase rate). The Company has not applied restatement for inflation in its statutory financial statements as of 30 June 2006 in accordance with Tax Procedure Law since the due requirements of restatement for inflation have not been materialised.

In tax reviews authorized bodies can review the accounting records for the past five years and if errors are detected, tax amounts may change due to tax assessment.

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.

There are numerous exemptions in the Corporate Tax Law concerning the corporations.

Exemption for participation in domestic subsidiaries

Dividends obtained from Turkish resident corporations and dividends received by founders’ shares and bonus shares (dividends from investment fund participation certificates are excluded), and investment partnership shares are exempt from corporate tax.

Exemption for participation in foreign subsidiaries

If the below conditions are fulfilled, participation revenues obtained from abroad and those transferred to Turkey by the date when the corporate tax declaration regarding the taxation period in which they are obtained is filed shall not be subject to corporate tax in Turkey. The conditions are as follows:

If the Turkish resident company holds at least a 10% stake for a continuous period of a year in the non-resident company.

If the total tax burden of the non-resident company is at least 15% (for insurance and financing leasing companies, the tax burden should be equal to at least the corporate tax burden in Turkey).

If the profit is transferred to Turkey in cash by the corporate tax declaration date.

Real property, investment equity, preferential rights, usufruct shares, founding shares, sales exemption

A 75% portion of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which has remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of 5 years.

NOTE 41 - TAXES ON INCOME (Continued)

The sales consideration has to be collected up until the end of the second calendar year following the year the sale was realized.

Brokerage houses and real estate companies who are dealing with the trading and the leasing of the real estate cannot benefit from this exemption.

Preferential right certificate sales and issued premiums exemption

Gains from issued premiums derived from the disposal of sales at nominal values during incorporations and the capital increase of joint stock companies are exempt from corporate tax.

Exemption for investment incentive allowance

As of January 2006, the exemption for investment allowance has been abolished with Corporate Income Tax Law No.5479.

A transition period of three years has been provided for income and corporate taxpayers which have unused investment incentive allowance rights at 31 December 2005 due to insufficient taxable profit against which to utilise them and which will have an investment incentive allowance related to the ongoing projects at 31 December 2005. According to this,

- existing investment incentive allowances at 31 December 2005 that cannot be utilised in 2005 (subject to 19.8% withholding and 40% of capital expenditures),

- investment incentive allowances calculated in accordance with the legislation valid at 31 December 2005 and its related 19,8% tax deduction for investment incentive share certificates granted prior to 24 April 2003 and started before 1 January 2006; and

- investment allowances calculated as 40% in accordance with the legislation valid at 31 December 2005 for capital expenditures after 24 April 2003 started before 1 January 2006, which presents an economic and technical integrity with the investments, in accordance with the abolished article No.19 of Corporate Income Tax Law

can be utilised for the income generated in the years 2006, 2007 and 2008 in accordance with the articles valid on 31 December 2005 (including the 30% corporate tax rate in accordance with Corporation Tax Law numbered 5422 and the related articles of Income Tax Law).

Once one of the above alternatives has been chosen, the application cannot be changed. Corporations that choose to utilise this right will be subject to the previous legislation’s tax rates.

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

NOTE 41 – TAXES ON INCOME (Continued)

Research and Development Expenditure Exemptions

A 40% portion of the research and development expenditures on technology and knowledge research made by the Company itself are exempted from corporate tax. The research and development exemption is the amount which could not be subject to exemption due to insufficient corporate income for the related period. The Company holds the right to use this exemption amount in the following periods which have adequate corporate income. Research and development expenditure exemption is not subject to withholding tax.

Extraordinary Economical and Technical Depreciation Ratio Exemptions

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

In addition to exemptions explained above, tax deductions specified in Corporation Tax Law articles 8, 9, 10, and Income Tax Law article 40, are also considered in the assessment of the corporation tax base.

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

	1 January - 30 June 2006	**1 January - 30 June 2005**	**1 April - 30 June 2006**	**1 April - 30 June 2005**
Taxes on income				
- Current	(60.671)	(48.419)	(29.410)	(27.716)
- Deferred	36.481	12.422	25.822	14.298
Taxes on income	**(24.190)**	**(35.997)**	**(3.588)**	**(13.418)**

NOTE 42 - EARNINGS PER SHARE

The earnings per share for each period are as follows:

	1 January - 30 June 2006	**1 January - 30 June 2005**	**1 April - 30 June 2006**	**1 April - 30 June 2005**
Net profit for the period	200.003	139.926	124.228	72.079
Weighted average number of ordinary shares with nominal value of TRY1 each	399.960.000	399.960.000	399.960.000	399.960.000
Earnings per share (TRY)	**0,500**	**0,350**	**0,311**	**0,180**

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

NOTE 43 - SUPPLEMENTARY CASH FLOW INFORMATION

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

	30 June 2006	30 June 2005
Changes in reserves and provisions		
Warranty provision	60.545	1.515
Assembly provision and transportation expenses provision	27.946	4.188
Provision for employment termination benefits	5.321	343
Provision for redundancy	(547)	(1.221)
Accrual for bonuses and premiums	7.378	4.222
Accrual for marketing and sales expenses	29.661	5.857
Accrual for customer premium	69.922	55.289
	200.226	**70.193**
Changes in operating assets and liabilities		
Marketable securities	-	14.013
Trade receivables and due from related parties	(566.006)	(157.140)
Inventories	(151.942)	93.915
Financial assets	465	453
Other current assets and liabilities	(169.331)	(146.664)
Other non-current assets and liabilities	66	2.490
Trade payables and due to related parties	262.656	(222.303)
	(624.092)	**(415.236)**

NOTE 44 – DISCLOSURE OF OTHER MATTERS

None.

NOTE 45 – DATE OF AUTHORISATION FOR ISSUE

The consolidated financial statements as at and for the period ended 30 June 2006 have been approved for issue by the Board of Directors on 7 August 2006 and signed by Fatih Kemal Ebiçlioğlu, Finance and Accounting Assistant General Manager and by Ali Tayyar, Accounting Director.

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