

Consumer Durables

Powering comfort through technology

Household appliances...

Turkey's
leading
Europe's
3rd largest
World's
6th largest
manufacturer

46%
of Turkey's exports

54%
domestic market share

TVs...

Turkey's
leading
manufacturer

23%
of Turkey's exports

45%
domestic market share



Impact of the global crisis on the household appliances sector

The worldwide household appliances market, with a size of \$138 billion, was among those most strongly affected by the global economic slowdown. In 2008, consumer demand in North America and Western Europe, which make up around almost half of the global household appliances market, declined sharply - dropping by more than 10% in North America and by 3-5% in Western Europe. Despite growth rates ranging from 2-8% in Eastern European, Middle Eastern and African markets, a sudden decline was experienced in demand towards the end of the year, especially in Eastern Europe.

The global crisis had an adverse effect on retailing companies. Decreasing demand caused leading retailers to accelerate their restructuring programs and take precautionary measures, mainly in the form of layoffs.

The significant slowdown in construction and housing in Turkey in 2008 led to a 2% drop in the production of four main household appliances while domestic sales dropped by 3.5%. On a product basis, refrigerator production slid by 13% and sales decreased by 2%; washing machine production and sales shrank by 8%; oven production increased by 29% although sales dipped by 11%; dishwashers turned in the best performance of the four main product categories as production increased by 16% and sales improved by 5%.



While domestic sales dropped by 3.5%, exports increased by 1%.

The recession in Europe, one of Turkey's most important export markets, had a detrimental effect on the household appliances exports. However, despite this contraction, exports grew by 1%, mainly due to the strong performance of washing machines and ovens. Household appliances exports showed some positive signs, particularly in October and November, with above average demand for Turkish products in the European market. Economic concerns increased price sensitivity, decreased the quantities ordered and increased the demand for faster procurement, eroding China's competitive advantage and redirecting some demand to Turkey.

On a product category basis, exports of refrigerators declined by 14% while washing machine exports decreased by 3%. In contrast, exports of dishwashers were up by 19% and ovens, the best performing category among the four, increased by 41%.

Looking at the breakdown of exports from the sector, the lion's share of household appliances exports went to the refrigerator category (38%), followed by washing machines (31%), ovens (22%) and dishwashers (10%).

Growth in consumer electronics continued despite the crisis

Despite the crisis, the global consumer electronics market continued to grow with revenues rising by 9.4% to reach \$678 billion. The transition from analog technology (CRT televisions) to digital technology (LCD televisions) continued and the unit share of CRT televisions dropped to 8% of the total TV market. In Western Europe, LCD television unit sales increased by 32% and revenues rose by 15%, making it the only consumer electronics category to grow in terms of both unit sales and revenues. The global economic crisis depressed demand in the second half of 2008, putting pressure on consumer electronics prices that resulted in cuts of up to 50% in LCD panel prices.

In 2008, the domestic market for televisions shrank by 17% to 1.85 million units. The transition from CRT televisions to LCD televisions continued as the CRT television market shrank by 30% and that of the LCD television market grew by 47%. At the end of 2008, production of LCD televisions made up 60% of total TV production in Turkey.

Koç Group Consumer Durables Segment

Koç Group Consumer Durables companies maintained their leadership positions in the sector in 2008. With the largest sales and after-sales network in Turkey, Koç Group companies continued to dominate the sector with 54% of the household appliances market and 45% of the television market. As the transition from analog technology to digital technology in televisions continued, domestic sales of Grundig Elektronik LCD televisions increased by 132%. With production facilities in Turkey, Russia, Romania and China, Koç Group companies rank as the 3rd largest manufacturer of household appliances in Europe and the 6th largest in the world.

Koç Group companies accounted for 46% of all household appliances exports and 23% of television exports from Turkey.

With the largest sales and after-sales network in Turkey, Koç Group companies continued to dominate the sector with 54% of the household appliances market and 45% of the television market.



Arçelik

Total Revenues:
\$5,241 million

Domestic Market Position:
Market leader in household appliances with 54% market share

Network:
4,500 dealers and 600 after-sales service points in Turkey
366 exclusive dealers in 28 countries

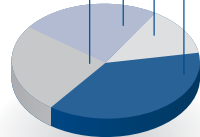
International Position:
3rd largest manufacturer of household appliances in Europe 9.6% market share in Europe
Manufacturing centers in Russia, Romania and China

Share of International Revenues:
50%

Gross Profit Margin:
27.6%

Operating Profit Margin:
6.5%

Shareholder Structure:
Koç Holding 39.14%
Other Koç 17.23%
Burla Group 22.34%
Free Float 21.29%



www.arcelikas.com.tr

An experienced player

Established in 1955, Arçelik, the pioneer of the Turkish household appliances sector, provides products and services to consumers in over 100 countries, operates 11 manufacturing facilities in four countries, manages 10 brands and has 32 companies outside Turkey.

In 2008, Arçelik maintained its domestic leadership with a market share of 54%. To balance the impact of the recession in Western Europe, the Company began directing its sales efforts towards developing markets that are less influenced by the recession. Sales to these countries accounted for 45% of exports, up by 7 points from the previous year. On the revenue side, these markets moved from an 18% share of the Company's total revenue in 2007 to a 22% share in 2008. With its 50 years of experience, Arçelik continued to be the most profitable company among its global peers despite difficult market conditions.

Unrivaled local and global brand recognition

Arçelik retained its market leadership for brand recognition in Turkey in 2008. For the last ten years, Nielsen Brands Research has found Arçelik to be the top brand in "the first recalled brand", "the most recalled brand" and "the brand that the consumer feels closest to". According to research conducted across all sectors, Arçelik is the top brand with the highest recall in Turkey and BEKO is the 3rd.

In 2004, Arçelik embarked on a campaign to make the BEKO brand one of the ten global brands commanding the largest market share by 2010. This goal was reached in 2008 as BEKO became the 9th largest global brand, a position it shares with one of its competitors.



Arçelik has continued its investments in Turkey and in international markets, opening the country's first and only dryer manufacturing facility in Çerkezköy in January 2008.

In 2008, as a result of Arçelik's performance and determination in line with its brand growth strategy, BEKO and Blomberg brands were included in the Turquality Support Program, which is the first and only state-supported branding program in the world.

First Turkish company to be the "Company of the Year" in Russia

Beko LLC, Arçelik's affiliate in Russia, manufactured its one millionth unit in November 2008 and became the first Turkish company to receive the "Company of the Year" award organized by RosBusinessConsulting in Russia by winning 1st place in the "Fastest Developing and Most Dynamic Company" category.

In December 2008, with the Omega company, Arçelik's distributor in Bosnia Herzegovina, Arçelik opened the first Beko Center (a sales, service and logistics center) in Sarajevo.

The best call center

Arçelik Call Center won two awards in the categories of the "Best Call Center" and the "Best Call Center Environment" in Turkey in September 2008. The center initiated a major project in 2008 to provide before and after-sales customer services in German to the Austrian market from Turkey.

The only Turkish company in World Intellectual Property Organization's listing

Arçelik's emphasis on R&D to create competitive advantage and added value for consumers ensured that the Company continued to make its mark in the international arena. With 143 patent applications, Arçelik has moved up 35 places to the 101st position in the World Intellectual Property Organization's listing of the top-500 patent applicants in the world, as the only Turkish company to gain a place in the listing.

Investments in technology and R&D have enabled Arçelik and its affiliates to continuously improve their product range and to offer consumers many "firsts" in 2008. As part of its strategy of innovation, the Company launched such products as: "Divide&Cool (DAC) - dividable cooling technology" that allows users to connect four fridge, freezer and cooling units to a single outdoor compressor, a novelty in the world, "New Black Orbital" - the world's first A++ no frost refrigerator with the lowest electricity consumption in its class and inox built-in kitchen furniture series with fingerprint-proof surface features.



Technological superiority

confirmed by international awards

Various international awards confirm Arçelik's products' superior technological features and design exclusivities. To mention a few from 2008: The Red Dot Design Award for the BEKO BKS 2520, Kanguru Vacuum Cleaner designed by the Arçelik Industrial Design Team, two ecology awards for Elektribregenz in the 5th Plus X washing machine contest, iF-International Forum Design 2009 Design Award for the BEKO OIM 25500 X in-laid oven, an ergonomics award for the BEKO BUDL 700 HCA model cooler in the Plus X contest, two "Design" and "Ease of Use" category awards for the DNE 65500 DPX model refrigerator.

2009 and beyond

With factories in Turkey, Russia, Romania and China, Arçelik enjoys clear logistical advantages, considerable economies of scale and close proximity to its target markets. Together with its well-known local and global brands, Arçelik is a strong player in the worldwide household appliances market.

These competitive advantages and a management team experienced in crisis management, guarantee Arçelik will perform successfully in 2009. Arçelik foresees new opportunities in the global crisis environment in which consumers, particularly in developed countries, are displaying a tendency towards lower cost options and better technical specifications. Arçelik products are recommended as "Best Buys" by many sectoral organizations and publications. The Company targets this important consumer segment while also emphasizing operations in developing markets.

With 143 patent applications, Arçelik moved up 35 places to the 101st position in the World Intellectual Property Organization's listing of companies with the highest number of patent applications.



Grundig Elektronik

Total Revenues:
\$997 million

Domestic Market Position:
Market leader with
45% share

Network:
Sales and distribution of
Grundig in Europe

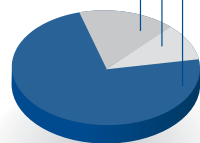
**Share of International
Revenues:**
67%

Gross Profit Margin:
13.6%

Operating Profit Margin:
- 3.5%

Shareholder Structure:

Arçelik
83.03%
Other Koç
5.65%
Free Float
11.32%



www.grundigelektronik.com.tr



Market leader with 45% share

Grundig Elektronik has been a leading player in the consumer electronics market since it was established in 1966, owing to its R&D focus, innovative products, modern production facilities and strong human resources. One of Turkey's largest electronics producers, the Company manufactures for both domestic and international markets. In 2008, to reinforce its global market position, the Company bought Alba Europe's 50% share in Grundig Multimedia B.V. to become the sole owner of Grundig Multimedia B.V. and the Grundig brand, one of the most popular in Europe.

Grundig Elektronik increased its domestic sales by 35% in 2008 to sell 1.5 million units, securing a market share of 45% and consolidated revenues of YTL 1.3 billion.

During the year, Grundig Elektronik signed an important agreement with Sony United Kingdom Limited to produce Sony brand LCD televisions.

Grundig Elektronik continued its successful performance in the LCD television sector, boosting its manufacturing capacity by 38% to 2.5 million units by transforming capacity from CRT to LCD television manufacturing.

Environment-friendly product range

Energy is a major issue in the consumer electronics world. The EU has mandated the use of energy labels on consumer electronics, which is already implemented for household appliances, starting from 2009. Preliminary work for this started in 2008.

Grundig Elektronik took a pioneering role in this area by developing an environment friendly Class A product range in 2008 that supplemented its products' already impressive energy-saving features. As part of the "Enver - Energy Efficiency Project", energy consumption during manufacturing processes has been reduced by 50% and products consuming "zero" energy in standby mode were developed. The issue of energy usage is an important aspect of environmental awareness. Grundig Elektronik uses cardboard packaging and product manuals produced from recycled paper, thereby offering customers environment friendly products.

Pioneering change in televisions

In order to increase its global competitiveness, Grundig Elektronik rigorously pursues R&D efforts. In 2008, this enabled the Company to supplement its product line via LCD televisions with the novel Zero-Standby Power feature and built-in Sound Projector system. The Crew models, with 32" 37" and 42" screen options, proved popular for their modern lines that incorporate emerging design trends. A technology known as "Sound Art Plus" was incorporated in new models for better sound quality. Among the new line of cutting edge television products developed in 2008 were LCD televisions with built-in DVD players and higher dynamic contrast ratios. These are not only compatible with MPEG-2 and MPEG-4 digital media, but also feature Zero-Standby Power, single-chip 100Hz-FHD-Full Motion (a first in Europe) and PVR, enabling the recording and play-back of digital broadcasts.

\$21 million capex

To further improve on its goal of expanding in the global LCD television market, Grundig Elektronik invested \$21 million in product development, renovation, capacity increase in LCD through transformation and quality improvement projects in 2008.

Technological prowess attracting awards

In recognition of the Company's expertise and experience in industrial design and mechanical technology, the Company has garnered various awards. These include prestigious awards such as the Turkish Electronics Industrialists Association's "Innovative Product Award" in the "Large Company" category, The Chicago Athenaeum (Architecture and design museum) "Good Design" award, the "Best Design Award" at iF Design 2008 and a nomination for Germany's most prestigious design award "Designpreis 2009".

More patent applications through R&D focus

Grundig Elektronik was the first Koç Group company to obtain R&D Center Certificates on October 15, 2008 for its Istanbul and İzmir facilities issued under the 2008 R&D Law.

Grundig Elektronik continued its R&D projects in partnership with various universities in 2008. The Company cooperated with scientists from the Middle East Technical University and Boğaziçi University in Turkey and TWENTE University in the Netherlands on various projects.

Grundig Elektronik places great importance on protecting its inventions and has filed 25 patent applications for new ideas that emerged in 2008.

2009 and beyond

Grundig Elektronik is advancing towards its vision of being Europe's fastest and most flexible manufacturer of consumer electronics. Its mission is to rapidly transform changes in the consumer electronics sector into user friendly and safe products and services that exceed customer expectations.

Arçelik-LG Klima

With 47% of the domestic market, Arçelik-LG Klima has achieved its targets rapidly and successfully, setting a new objective in 2008 "to be the first choice in air conditioning". The Company sold more than 1.3 million air conditioning units in 2008 as exports to 64 countries continued to grow, reaching 65% of the total sales. Arçelik-LG Klima's main export markets are the Middle East, North Africa and Europe.

The Company also started commercial air conditioner production for the domestic market in 2008 and environment friendly, Class A Inverter, Multi-Inverter and Variable Multiple-Unit Systems were added to the product line. Arçelik-LG Klima aims to become the market leader in this segment.

Air-conditioning stores for the sale of commercial-type air conditioners were opened in addition to a training academy for the same line. To enable the Company to respond quickly to increasing demand both in Turkey and the world, the annual production capacity was doubled to 2 million units.



**ZERO
STANDBY™**



Grundig Chameleon 2 18,5" LCD TV,
İnovasyon ve tasarım sembolü olanak Chicago Athenaeum Müzesi tarafından
"2008 GOOD DESIGN" ödülüne layık görülmüştür.