





Corporate Social Responsibility Report

Arçelik A.Ş. believes that Corporate Social Responsibility is an integral part of its core business, and is committed to its principles and values.

Corporate Social Responsibility Approach

Responsible management, sustainable development

Global resources are limited and we are aware that not only individuals, governments and non-governmental organizations, but also companies must assume important responsibilities in using and developing such resources carefully, while improving and sustaining living standards.

Within the framework of its corporate social responsibility policy, Arçelik A.Ş. is committed to sustainable development. The Company is aware of and sensitive to environmental and social issues and fully complies with applicable laws, ethical codes, its corporate governance principles and human rights in all its operations.

“Our Most Valuable Asset is Our People”. This is one of the main principles set by the Company’s founder Vehbi Koç, and based on this principle, Arçelik A.Ş. employees and business partners do their best to fulfill their responsibilities. Guided by these corporate values, we believe it is our duty to meet the needs of the society in line with our mission.

Corporate Governance

Arçelik A.Ş.’s corporate values and culture, ethical values, good governance policies and code of professional conduct guide the Company in fulfilling its responsibilities.

In line with international business standards, the Company has adopted four principles of corporate governance, which builds confidence between the stakeholders and organizations: accountability, responsibility, openness and transparency, and fair treatment. These principles are indispensable for the productivity and success of the Company in the long run.

Arçelik A.Ş. is aware that keeping its promises, gaining the confidence of its stakeholders and investors and maintaining its stability depend on proper corporate governance. The benefits of implementing good corporate governance principles are clearly visible in the Company’s meetings with institutional investors.

With a view to attaining its profit targets, Arçelik A.Ş. not only capitalizes on its business results and strong financial structure, but also manages its longstanding corporate reputation as a core value.

The proper implementation of the "Corporate Governance Principles" that were adopted by the Capital Markets Board (CMB) under Resolution No. 35/835 of 4 July 2003 and announced in July 2003 is essential for the reliability and creditworthiness of companies, particularly those that are publicly traded. Arçelik A.Ş. has adopted and fully implements these Corporate Governance Principles, which demonstrates the quality of the Company's corporate governance system.

Pursuant to Resolution No. 48/1588 of the CMB adopted on 10 December 2004, all companies listed on the İstanbul Stock Exchange (ISE) are encouraged to disclose their compliance with the CMB's Corporate Governance Principles in their annual reports and on their websites beginning with their 2004 annual reports. Accordingly, Arçelik A.Ş. has set up a committee to study what it could do to ensure compliance with these principles and, as a result of these studies, has disclosed additional information in its 2005 Annual Report and on its website, for the purpose of ensuring compliance with the principles mentioned below. The "OECD Corporate Governance Principles" published in 1999 were revised in 2004, and upon this revision, the CMB revised its "Corporate Governance Principles" for harmonization with the "OECD's 2004 Corporate Governance Principles". Arçelik A.Ş. prepared its 2005 Corporate Governance Compliance Report in accordance with the revised Corporate Governance Principles.

CHAPTER I - SHAREHOLDERS

1. Investor Relations Department

Relations with shareholders at Arçelik A.Ş. are handled by a department reporting to the Assistant General Manager in charge of Financial and Fiscal Affairs. This department is mainly responsible for:

- Maintaining and updating shareholders data in a safe and reliable manner,
- Responding to written inquiries of shareholders, excluding confidential and secret information of the Company, which are not disclosed to the public,
- Ensuring that the general meeting of the Company is conducted in conformity with applicable legislation, the Company's Articles of Association, and other internal regulations,
- Preparing documents for shareholders attending the general meeting,
- Registering voting results and sending reports to requesting shareholders,
- Monitoring any issue related to public announcements within the context of applicable legislation and the Company's disclosure policy,
- Promoting the Company to individual and institutional investors both in Turkey and abroad,
- Providing information to analysts evaluating the Company,
- Attending conferences held abroad by various organizations for informing investors,
- Attending road shows held by investment companies in various countries for informing investors,
- Providing corporate information to undergraduates, graduates and academics studying the Company and the industry,
- Sending all required Material Disclosures to the ISE and the CMB in accordance with Communiqué Serial No. VIII, No. 39,

■ Monitoring all amendments to the Capital Market Law and applicable legislation and reporting them to the Company's relevant departments,

■ Representing the Company vis-à-vis the Capital Markets Board, the İstanbul Stock Exchange and the Central Registry Agency.

Staff members in charge of investor relations:

Fatih Kemal Ebiçlioğlu	Assistant General Manager, Finance and Accounting	+90 212 314 34 01	fatih.ebiclioglu@arcelik.com
Türkay Tatar	Finance Director	+90 212 314 31 84	turkay.tatar@arcelik.com
Çiğdem Ergüven	Investor Relations and Subsidiaries Manager	+90 212 314 31 13	cigdem.erguven@arcelik.com
Turhan Sarı	Investor Relations Specialist	+90 212 314 31 15	turhan.sari@arcelik.com
Baran Bülbül	Investor Relations Specialist	+90 212 314 31 17	baran.bulbul@arcelik.com

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In 2005, with a view to providing existing and potential investors with detailed information on the Company:

- Seven investor meetings were held abroad,
- Interviews were conducted with more than 300 investors, both in Turkey and abroad and their questions about the Company were answered,
- Three press conferences were held in Turkey to inform the public and investors.

2. Shareholders' Exercise of Their Rights to Obtain Information

Arçelik A.Ş. treats its shareholders equally in terms of their rights to obtain and analyze information.

In addition to the above-mentioned 300 interviews in 2005, the Company makes available on its website (www.arcelikas.com.tr) its financial statements, as well as updated information that could affect shareholders' exercise of their rights with a view to further improving their right to obtain information.

Information requests from shareholders were handled either verbally or in writing throughout 2005, without making any discrimination between shareholders. During the year, 80 shareholders who failed to collect their dividends and participate in the capital increase last year were provided with necessary assistance and their dividends were paid.

Arçelik A.Ş. has completed its efforts to send the necessary electronic data to the CMB and the ISE with electronic signatures, within the framework of the Public Announcement Project carried out by Tübitak-Bilten under the supervision and control of the Capital Markets Board. When it is completed, the Public Announcement Project will allow the Company to inform shareholders quickly and reliably.

Arçelik A.Ş. became a member of the Turkish Central Registry Agency established for the dematerialization of capital market instruments. In 2005, the Company's stocks traded on the ISE were dematerialized. Thus, no physical share certificates will be

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issued and costs will be reduced. Also, an agreement has been made with Koç Yatırım Menkul Değerler A.Ş. for the performance of shareholder transactions with the Central Registry Agency. With this agreement, shareholders will be able to collect their dividends, participate in capital increases and open accounts at Koçbank branches.

Arçelik A.Ş.'s operations and accounts are periodically audited by independent auditor PricewaterhouseCoopers, and by in-house auditors, both elected by the General Meeting. The Articles of Association do not contain any provision requiring the appointment of special auditors. During the reporting period, no request has been made to the Company for the appointment of a special auditor.

3. General Meeting

Ordinary General Meeting was held in 2005 and majority of the shareholders attended the meeting. The Company's shareholders (by proxy), stakeholders and the media were present at this meeting. The audience included media representatives, various brokerage houses' and banks' representatives.

The General Meeting is announced at least three months in advance, as required by applicable legislation. The announcement is also published on the Company's website to maximize shareholders participation.

All announcements comply with the Corporate Governance Principles.

The financial statements and reports, including the Annual Report, the proposal for the distribution of profit, an informative document on the agenda of the General Meeting, other supplementary documents, the latest version of the Articles of Association, and the text and justification of any amendment to be made to the Articles of Association are made available to shareholders at the Company's headquarters, branches and on the website, after the invitation for the General Meeting is announced.

Agenda of the General Meeting is determined clearly, avoiding any misunderstanding.

Proxy statement forms to be used by shareholders who will be represented at the General Meeting by proxy are made available in the invitation, and are also posted on the Company's website.

The voting procedure is announced to shareholders electronically before the General Meeting.

In 2005, the Company received no request from shareholders for the addition of an item to the agenda.

No significant changes in the management and operational organization of the Company took place in the previous financial period, and to our knowledge, no such change is planned for future periods. In the event any such change occurs, public announcements will be made in accordance with applicable legislation.

When holding General Meetings, the aim is to avoid any inequality among shareholders and to ensure that the simplest procedures possible are implemented at minimum

cost to shareholders. In order to make it easier for shareholders living in Turkey and abroad to attend the General Meeting, the one-week period specified in the invitation can be shortened. Also, all required documents are translated into English with a view to informing foreign shareholders of the General Meeting and of agenda items, and these translations are sent via banks performing the custody and settlement transactions of such shareholders.

General Meetings are held at a central location in the city to ensure better and easier participation by shareholders. The number of participants is monitored annually and the location of the meeting is determined according to the number of attending shareholders. The venue of the meeting can accommodate all shareholders. Notices inviting shareholders to attend a general meeting are made by the Board of Directors in accordance with the Turkish Commercial Code (TCC), the Capital Market Law and the Company's Articles of Association. The Board of Directors' decision to convene a General Meeting is notified immediately to the ISE and the CMB, and thereby to the public.

Pursuant to the regulations of the CMB and the ISE, financial statements must be disclosed to the public within 14 weeks of the end of the financial reporting period. However, the Company discloses its financial statements before this deadline. Financial statements as of 2005 year end were disclosed at the end of the ninth week. Following disclosure of the results, preparations are made for the General Meeting, and upon completion of relevant legal formalities, the General Meeting convenes. However, due to the time required for completion of this process, the General Meeting cannot convene within three months following the end of the financial reporting period. The General Meeting for the 2004 operations of the Company took place on 12 April 2005, and the General Meeting for 2005 operations is planned to be held on 5 April 2006.

At any General Meeting, agenda items are explained in detail to shareholders, in an objective and comprehensible manner, and the items are discussed by giving shareholders equal opportunity to voice their opinion and ask questions. Shareholders are also given the opportunity to make comments and recommendations on the remuneration to be paid to the directors and officers of the Company.

Any shareholder who has an access card to the General Meeting is authorized to voice his/her opinion on the operations of the Company, ask questions to Company management and get answers to his/her questions. The minutes of the General Meeting include voting results. Each agenda item is voted individually. General Meetings are held under the supervision of a representative of the Ministry of Industry and Trade.

The Board of Directors has been authorized by the General Meeting to purchase, sell and lease material assets, and to make donations and give grants. The Articles of Association of the Company allow such authorization.

Minutes of the General Meeting are made available to shareholders on the Company's website and at the Company's headquarters. They are also provided upon request.

4. Voting Rights and Minority Rights

Shareholders attending a General Meeting are informed of the voting procedure at the beginning of the meeting. The Company refrains from any practice, which would make it difficult to exercise voting rights, and ensures that each shareholder is able to exercise his/her voting rights in the most convenient manner.

The Company's Articles of Association do not grant any privilege regarding voting rights. Each share is entitled to one vote. Among the shareholders of the Company, there is no corporate body, which is one of Arçelik's subsidiaries. The Company's Articles of Association do not contain any provision preventing a non-shareholder from voting by proxy.

With their attendance at the General Meeting, holders of minority shares constitute the Company's management together with the holders of majority shares. The Articles of Association do not provide for a cumulative voting procedure.

5. Dividend Distribution Policy and Time

The dividend policy of the Company maintains a balance between the interests of the shareholders and the interests of the Company in accordance with corporate governance principles.

Under the conditions of no legal arrangement changes or no major exceptional investments take place other than the regular capital expenditures; the long-term average of the dividend distributed will not be less than 50% of the yearly distributable income.

Profit distribution takes place in accordance with the Turkish Commercial Code and the Capital Market Law, and within statutory time limits. At the General Meeting dated 12 April 2005, it was decided to distribute gross 57.3% (net 54.76%) dividend based on 2004 operating results and distribution started on 16 May 2005. The Articles of Association do not contain any privilege regarding participation in Company profit.

The Articles of Association allow for the distribution of advance dividends, and the authorization of shareholders is sought for such a distribution, provided that such dividends are limited to the relevant year.

6. Transfer of Shares

The Articles of Association do not contain any procedure or provision, which impedes or restricts the free transfer of shares by shareholders.

CHAPTER II - DISCLOSURES AND TRANSPARENCY

7. Public Announcement Policy

All material events are disclosed to the public pursuant to Communiqué Serial No. VIII, No. 39 issued by the CMB. Information desired or required to be disclosed is disclosed by the office of the Assistant General Manager in charge of Financial and Fiscal Affairs at required intervals. Individuals who are responsible for disclosing such information are indicated in the Annual Report.

Any development, which may influence the capital market instruments of the Company are disclosed to the public without delay, as required in applicable legislation. The public is kept up to date about any consequent changes and developments regarding such disclosures.

In public disclosures, in addition to those required by applicable legislation, data distribution companies, media and the Company's website are used effectively.

Board members and managers of the Company, managers of subsidiaries abroad and appointments and resignations disclosed under Material Disclosures in 2005 were as follows:

Board of Directors 2005*

Rahmi M. Koç	Chairman
Dr. Bülent Bulgurulu**	Vice Chairman
Robert Sonman	Member
Mustafa V. Koç	Member
Cengiz Solakoğlu	Member
F. Bülend Özyaydınlı	Member
Temel K. Atay**	Member
M. Ömer Koç	Member
A. Gündüz Özdemir	Member

Board of Auditors

Serkan Özyurt
Mert Ş. Bayram***

* In accordance with the Company's Articles of Association, Board members are re-elected every year during the Ordinary General Meeting. Accordingly, all members' terms started on 12 April 2005.

** Dr. Bülent Bulgurulu and Temel K. Atay are also members of the Audit Committee.

*** Since Fatih Kemal Ebiçlioğlu, who was appointed auditor at the Ordinary General Meeting of 12 April 2005, was assigned to the vacant position of Assistant General Manager in charge of Finance and Accounting, Mert Ş. Bayram was appointed auditor by the other auditor Serkan Özyurt on 18 April 2005, to serve until the next General Meeting in accordance with the Turkish Commercial Code.

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Management 2005 (31 December 2005)

Aka Gündüz Özdemir	General Manager
Atilla İlbaş*	Assistant General Manager - Production and Technology
Fatih Kemal Ebiçlioğlu*	Assistant General Manager - Finance and Accounting
Mustafa Nadir Yalçınalp*	Assistant General Manager - International Marketing and Sales
Şirzat Subaşı	Assistant General Manager - Turkey Marketing and Sales
Ahmet İhsan Ceylan	Information Technologies Director
Ahmet Sakızlı	Product Planning and Coordination Director
Ali Tayyar	Accounting Director - Headquarters / Plants
Cemal Can Dinçer*	International Sales Director - Non-European Markets
Cemal Şeref Oğuzhan Öztürk*	Product Director - Washing Machine
Dilek Temel	Corporate Relations Coordinator
Ferhat Erçetin*	Purchasing Director
Hilmi Cem Akant*	International Sales Director - Europe and Business Development
İhsan Somay	Accounting Director - Sales and Marketing
İsmail Hakkı Sağır	Product Director - Refrigerator
Koral Boro	Beko Sales Director
Mehmet Savaş*	Product Director - Cooking Appliances
Melis Mutuş Şahinler*	Corporate Communications Coordinator
Murad Şahin*	Marketing Director
Mustafa Türkay Tatar*	Finance Director
Oktay Sokullu	Arçelik Sales Director
Salih Arslantaş	Product Director - Dishwasher
Serdar Sözeri	Consumer Services and Logistics Director
Sibel Kesler*	Budget, Reporting and Analysis Director
Şemsettin Eksert	Research and Development Director
Şerife Füsün Ömür*	Human Resources and Strategic Planning Director

Management, Subsidiaries (31 December 2005)

Brigitte Petit	Country Manager - France / Beko France General Manager
Clayton Witter	Country Manager - United Kingdom / Beko PLC General Manager
İsmail Kürşat Coşkun*	Country Manager - Italy / Arcelitalia SRL General Manager
Kamil Uğur Kayalı*	Country Manager - Romania / Arctic S.A. General Manager
Namık Koçer	Country Manager - Spain / Beko Espana General Manager
Orhan Sayman	Country Manager - Poland / Hungary, Czech Republic, Slovakia / Beko Polska General Manager
Osman Diyarbekirli*	Country Manager - Germany, Austria / Elektra Bregenz AG General Manager, Blomberg GmbH General Manager, Beko Deutschland General Manager
Tevfik Adnan Tüfekçi*	Country Manager - Russia / Beko LLC General Manager

*Appointments in 2005

Purchasing Director - Ferhat Erçetin (as of 28 February 2005)
Product Director - Washing Machine - C. Ş. Oğuzhan Öztürk (as of 28 February 2005)
Assistant General Manager - Production and Technology - Atilla İlbaş (as of 4 March 2005)
Marketing Director - Murad Şahin (as of 4 March 2005)
Human Resources and Strategic Planning Director - Şerife Füsün Ömür (as of 4 March 2005)
Assistant General Manager - Finance and Accounting - Fatih K. Ebiçlioğlu (as of 18 April 2005)
Assistant General Manager - International Marketing and Sales - M. Nadir Yalçınalp (as of 18 May 2005)
International Sales Director - Non - European Markets - C. Can Dinçer (as of 1 June 2005)
International Sales Director - Europe and Business Development - H. Cem Akant (as of 1 June 2005)
Product Director - Cooking Appliances - Mehmet Savaş (as of 1 June 2005)
Country Manager - Germany, Austria / Elektra Bregenz AG General Manager, Blomberg GmbH General Manager, Beko Deutschland General Manager - Osman Diyarbekirli (as of 1 June 2005)
Country Manager - Russia / Beko LLC General Manager - T. Adnan Tüfekçi (as of 1 June 2005)
Country Manager - Romania / Arctic S.A. General Manager - K. Uğur Kayalı (as of 1 June 2005)
Finance Director - M. Türkay Tatar (as of 15 August 2005)

Country Manager - Italy / Arcelitalia SRL General Manager - İ. Kürşat Coşkun
(as of 1 September 2005)

Budget, Reporting and Analysis Director - Sibel Kesler (as of 15 October 2005)

Corporate Communications Coordinator - Melis Mutuş Şahinler (as of 1 November 2005)

Resignations in 2005

Assistant General Manager - Finance and Accounting - Yağız Eyüboğlu (appointed General Manager of Beko Elektronik A.Ş. on 18 April 2005)

Finance Director - Tamer Soyupak (appointed Assistant General Manager - Finance and Accounting, Beko Elektronik A.Ş. on 10 June 2005)

Financial Analysis, Budget and Planning Director - Mehmet Yazır (retired on 28 February 2005)

Purchasing Director - Zülfikar Bekar (retired on 28 February 2005)

Production and Technology Group Director - Turgut Soysal (retired on 4 March 2005)

International Marketing and Sales Group Director - İbrahim Yazıcı (retired on 6 January 2005)

8. Material Disclosures

Arçelik A.Ş. made 29 material disclosures in 2005. The CMB and the ISE did not request any additional explanations. Since the Company is not listed on any stock exchange abroad, it is not required to disclose material events to any party other than the CMB or the ISE. Arçelik A.Ş. made all material disclosures within the statutory time limits and therefore no sanctions were imposed by the CMB.

9. The Company's Website and its Contents

In order to ensure efficient and rapid interaction with investors and have continuous communication with shareholders, the financial statements of the Company which are filed with the CMB are also made available in Turkish and English on the Company's official website at www.arcelikas.com.tr. The website contains the following:

- Trade registry information
- Shareholders structure
- Board members
- Latest version of the Articles of Association
- Annual reports of the last four years
- Material Disclosures
- Corporate Governance Compliance Report
- List of shareholders attending the General Meeting and minutes of these meetings
- Proxy Statement Form
- Periodical financial statements and independent auditors' reports
- Agenda of the General Meeting
- Frequently asked questions

Breakdown of shares purchased and acquired, during the previous year and through capital market instruments issued by the Company, by board members, executives and shareholders directly or indirectly holding more than 5% of the capital stock of the Company.

10. Ultimate Controlling Shareholder(s) who are Natural Persons

There is no material circumstance with regard to individual controlling shareholders, which might influence investors' decisions if disclosed to the public. Since the public knows that members of the Koç Family are the ultimate controlling shareholders of the Company, it was considered unnecessary to perform and disclose a separate calculation in this regard.

11. Individuals Who Have Access to Insider Information

In order to maintain a balance between transparency and the protection of the Company's interests, the Company requires its personnel to strictly observe the rules regarding the use of any insider information.

Any information which directors and other staff members have access to while working for the Company, which the Company does not prefer to be known by anyone other than certain individuals inside the Company, and which can be classified as trade secrets, constitutes "proprietary information" and must be kept confidential. All employees are required to keep confidential such proprietary information during and after their employment, and are not allowed to use such information directly or indirectly to their benefit. No Arçelik A.Ş. employee is allowed to engage in any activity intended to obtain a gain by using such proprietary information for trading the shares of Arçelik A.Ş. or any Koç Group company.

If any manager of the Company who has access to information that could affect the prices of the Company's capital market instruments purchases and/or sells such instruments issued by the Company, he/she is required to disclose such transactions immediately.

The Company's Annual Report contains a list of the individuals who constitute its senior management and may have access to insider information.

CHAPTER III - STAKEHOLDERS

12. Announcements to Stakeholders

The stakeholders of the Company are third parties, which have a direct relation with the Company. Stakeholders are informed of the relevant issues through meetings when necessary, or through other communication means. Considering that cooperation between the Company and stakeholders is in the interest of the Company in the long run, Arçelik A.Ş. respects and protects the rights of its stakeholders through mutual understanding and agreement, as defined in applicable legislation. The corporate governance structure of the Company allows all stakeholders, including employees and representatives, to report to the management their concerns about any illegal or unethical transaction.

13. Stakeholder Participation in Management

The mechanisms and models, which support the participation of stakeholders, and especially employees, in management are developed in a manner that would not hinder the Company's operations.

Arçelik A.Ş. supports the participation of its stakeholders in its management by using various means such as "proposals" or "questionnaires", provided that the Company's operations are not hindered.

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Arçelik A.Ş. cooperates with and obtains the consent of the labor union with regard to changes in working conditions, the working environment and employee rights.

Additionally, by organizing annual Dealer Meetings, the Company ensures that its authorized dealers participate in management.

14. Human Resources Policy

The principle "Our Most Valuable Asset is Our Human Resources" is the core value of the Company's human resources policy. Within the framework of its HR policy, Arçelik A.Ş. employs a set of written criteria regarding recruitment and promotion.

When developing its recruitment policies and undertaking career planning activities, the Company ensures that equal opportunity is given to individuals with equal qualifications.

The goal of the Company's human resources policy is to continuously improve the competencies of its people and maintain its permanent superiority in the global competitive environment by adhering to the following principles:

- The right individual for the right job
- Equal pay for equal work
- Performance-based merit
- Equal opportunity for every employee.

The human resources procedures of the Company are prepared accordingly, and announced to employees. In order to create a participative management environment, informational meetings are held for employees concerning the financial capabilities of the Company, remuneration, career, education and healthcare, and other information is exchanged at such meetings. The Company does not discriminate against any individual based on religion, language, race or sex, treats its employees equally regarding training and promotion, makes training plans and develops training policies to improve the knowledge, skills and attitude of its employees.

The Company offers excellent working conditions in terms of safety and efficiency.

Roles and responsibilities of employees, as well as performance and award criteria are determined and announced by management.

Employee relations at Arçelik A.Ş. are conducted by the Company's Human Resources Department on the basis of programs entitled "Proposals", "Rewards" and "Satisfaction Surveys". Relations with employees covered by a collective agreement are conducted through labor union representatives, in addition to the programs mentioned above. Representatives of labor unions have the right to represent their member employees under the Trade Union Act and are entitled and obliged to:

- Ensure constant cooperation, harmony and peace between the employer and the employees at the workplace;
- Assist settlement of any labor dispute in accordance with the relevant procedures, applicable legislation and collective labor agreement;
- Ensure the proper implementation of the collective agreement;
- Prevent illegal acts and possible disputes.

15. Relations with Customers and Suppliers

The satisfaction of customers and suppliers is a major Company objective. Customer satisfaction is regularly reported and monitored. The Company is committed to maintaining the confidentiality of the trade secrets of its customers and suppliers.

16. Social Responsibility

The Company is aware of its social responsibilities and complies with regulations on the environment, consumers, public health, as well as ethical rules, and announces its relevant policies to the public. The Company also monitors its corporate social responsibility efforts. This issue has been explained in detail in the Annual Report.

CHAPTER IV – BOARD OF DIRECTORS

17. Structure and Election of the Board of Directors

The Board of Directors of the Company is comprised of nine members and, pursuant to its Articles of Association, the General Manager may also be elected to the Board. Currently, Mr. A. Gündüz Özdemir acts as an Executive Member. Following each General Meeting where board members are elected, the Board of Directors elects a Chairman and a Vice-Chairman from among its members. In case of any vacancy during the term of the board, the relevant provisions of Article 315 of the Turkish Commercial Code apply.

Articles 334 and 335 of the Turkish Commercial Code require the Chairman and the Members of the Board of Directors to seek the approval of the General Meeting to directly or indirectly engage or hold an interest in any business, which is identical or similar to the business of the Company.

The Board of Directors does not have any independent member, since such a need has not arisen.

18. Qualifications of Board Members

Board members possess the qualifications contemplated in Paragraphs 3.1.1, 3.1.2 and 3.1.3 of Part 4 of the Corporate Governance Principles issued by the Capital Markets Board. However, the Company's Articles of Association do not contain these principles separately.

19. Mission, Vision and Strategic Goals

Arçelik A.Ş.'s vision is "to possess one of the ten most preferred global brands in its sector by the year 2010".

The vision, mission, values and strategies of the Company are shared with the public through annual reports, the Company's website (www.arcelikas.com), informational meetings and various other statements made by appropriate communication means.

The strategies and goals defined in line with the Company's vision and mission are periodically assessed by the Board of Directors.

The Board of Directors meets to compare the Company's objectives and actual operations, taking into account the performance of previous years. Such meetings are held as frequently as specified in the Articles of Association.

20. Risk Management and Internal Control Mechanism

The Board of Directors has established Risk Management and Internal Audit Departments to minimize the risks, which may affect stakeholders. These departments, reporting to the Assistant General Manager in Charge of Financial and Fiscal Affairs, are responsible for determining and reporting financial and operational risks and establishing an implementation and control mechanism.

21. Powers and Duties of Directors and Officers

The powers and duties of directors are clearly described in the Articles of Association. Signatory powers are specified in detail in the list of authorized signatures of the Company. These documents are available on the website and are also filed with competent authorities as required by applicable laws.

22. Principles Regarding Board Meetings

The agenda of each board meeting is based on the issues, which are reported by the relevant departments to the Company's Senior Management and Board and which require the Board's decision according to the Articles of Association. Any Board member may, by reporting to the Company's Senior Management, call for a Board meeting to discuss and decide a specific issue. Issues that are required to be discussed by the Board are collected and compiled at the office of the Assistant General Manager in charge of Financial and Fiscal Affairs with a view to developing the agenda of the next meeting.

Arçelik A.Ş. has authorized its Assistant General Manager in charge of Financial and Fiscal Affairs to set the agenda of Board meetings, file Board decisions adopted in accordance with Article 330/II of the TCC, provide information to Board members and ensure communication among them.

The Board of Directors adopts decisions as the Company's business requires. The minimum number of members required to be present for a decision to be deemed valid is specified in the Articles of Association. In exceptional cases, the Board may adopt a decision unanimously by agreeing to a proposal made by a Board member.

The reasons of all dissenting opinions expressed and votes cast at Board meetings are written in the minutes of the meeting. However, since no dissenting opinion has been expressed in recent Board meetings, no disclosure has been made in this regard.

23. Transactions with the Company; Non-competition

Although the Company does not restrict any Board member to compete with or do business with the Company, no Board member currently competes or does business with the Company.

24. Code of Ethics

To attain its profit targets, Arçelik A.Ş., does not merely rely on its business results and strong financial structure, but also manages its corporate reputation as a core value, which it has earned over so many years. Operations are carried out within the framework of the Code of Professional Conduct, which was developed by the Board of Directors, submitted to the General Meeting and disclosed to the public. The Code of Professional Conduct is one of the essential components of Arçelik A.Ş.'s corporate culture. This Code, which should be followed when performing any task within the

Company, was formed in accordance with the common values adopted by both the Koç Group and Arçelik A.Ş. The goal here is to define and communicate Arçelik A.Ş.'s common values, and thus achieve uniformity of conduct within the Company.

Arçelik A.Ş. is at one with its employees, shareholders, dealers and other partners and is fully aware of its responsibilities towards the society and the environment, as well as towards its customers and shareholders. These responsibilities form the basis of business life at Arçelik A.Ş.

Integrity and good conduct are among the basic principles that guide all Arçelik A.Ş. employees. When doing their jobs, employees ask themselves the following questions and, if the answer is "No", they refrain from that act:

■ Am I acting in compliance with Arçelik A.Ş.'s Code of Ethics?

■ Does my behavior promote Arçelik A.Ş.'s reputation?

■ Is my behavior acceptable to the public?

In decision-making and implementation, it is essential to act in accordance with applicable laws, the Code of Ethics and common values. "Arçelik A.Ş.'s Common Values and Code of Business Ethics" issued in 2003 is an essential guide regarding all corporate processes and activities.

Arçelik A.Ş. adopts an open, transparent, accountable and ethical management style and its common values include reliability, integrity, self-confidence, customer-focus, team spirit, solidarity, continuous improvement, quality-focus and social awareness. Arçelik A.Ş.'s code of professional ethics contains a set of principles providing guidance to Arçelik A.Ş. employees in their business lives. Among these principles are the protection of corporate data that are considered trade secrets, the creation of a work environment based on respect, discipline and trust, the existence of equal rights to employees regardless of their race, language, religion or sex, and ensuring that all employees show respect for intellectual property rights.

25. Number, Structure and Independence of the Committees Set Up by the Board

To ensure that the Board of Directors performs its duties and responsibilities properly, an "Audit Committee" has been set up. The "Audit Committee" has two members. In 2005, the Board of Directors elected Dr. Bülent Bulgurlu and Temel Kamil Atay as members of the Audit Committee. The Audit Committee operates regularly in accordance with the Capital Market Law and the CMB's Corporate Governance Principles. Members on committees are not independent members. Arçelik A.Ş. is also planning to set up a "Corporate Governance Committee" in accordance with the applicable legislation and CMB's regulations.

26. Remuneration of Board Members

Financial benefits to be offered to Board members are determined by the General Meeting. The General Meeting of 12 April 2005 agreed to pay a monthly fee to members of the Board of Directors. Members acting as executive officers are paid fees on a performance basis. Except for any advance payment made in accordance with the relevant procedures of the Company, the Company does not extend any personal loans to directors and officers or grant any security in favor of them, such as sureties.