

07

Arçelik A.Ş.
Sustainability
Report



“ We are conscious of our responsibilities and therefore strive to leave a better world behind for succeeding generations. Our corporate culture, values and ethical principles guide our way towards meeting these responsibilities. ”

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Distinguished stakeholders,

It gives us great honour and pride to present to you our first Sustainability Report.

As one of Koç Group's leading companies, Arçelik A.Ş., contributing extensively to the Turkish economy since its establishment in 1955, has stood at the helm in pioneering technology, steadfast improvements, and indisputable innovations.

Our Company's rich history of more than half a century bears witness to our tenacious vision and insightful strategy crowning our success. Arçelik's vision "to become one of the top 10 most preferred brands in our sector throughout the world by 2010 with the Beko brand" shores up our competitive position in global markets as we pursue a branded growth strategy with high quality products manufactured by our own technology and R&D. We uphold this vision with an unwavering belief that our past successes will incrementally continue advancing in the future.

Uplifted by the synergy of Koç Group's vision to be a global player, Arçelik consolidated its market leadership domestically and its rapid growth internationally as the year 2007 depicts. We appreciably added force to our leadership position in Turkey and built up our share in global markets through strategic investments and acquisitions over the past year. Moreover, we achieved 50% of our consolidated turnover from international sales, seizing upon one of our primary business goals even before the targeted timeframe.

Thanks to our solid growth in 2007, a difficult year for all sectors, our Company today is Europe's third-largest manufacturer of home appliances. We supply products and services to more than 100 countries with our 10 brands. Having more than 18.000 employees worldwide, our global network includes 12 production plants spread throughout Turkey, Romania, Russia and China, along with 12 sales and marketing companies abroad.

As a long-lasting leader in patents and in optimum high-tech products, Arçelik broke new ground with a number of innovations in 2007 with our strategic investments in technology. Winning numerous awards for innovative products, we held firmly to our unrivalled position as Turkey's leader in technology "firsts" in 2007, rallying behind our success of the past three years and earning us the title, "Patent Champion of Turkey". Noteworthy as well in 2007 are Arçelik's continual contributions not only to the economy but also to Turkey's social development.

We are diligently shaping ourselves as a model for our sector and for the Turkish economy as a whole to emulate. In this regard, our Company invested heavily in an array of successful projects centered on the environment, sports, culture and arts, and education. We look forward to continuing these activities in 2008 and beyond.

The concept of sustainability has been at the very heart of Arçelik's business prowess since its foundation. For many years we have been soundly committed to quality embodied in our models for Total Quality Management (TQM) and European Foundation for Quality Management (EFQM). Our structured approach in employing these practices laid the groundwork in fostering our own approach to sustainable development. And within the scope of this approach supporting our corporate citizenship awareness-beyond creating economic value, new areas of business, and more opportunities for society-Arçelik shoulders responsibilities in social and environmental spheres as we contribute to the community.

To this end, our Company carries out several projects, all of which mirror a common aim - to be the driving force of economic, environmental and societal change through excellence in all our activities and commitments: protecting the environment, reducing consumption of natural resources in production and product development and improving the standards of child education and development.

While capitalizing on business results and on sound financial structures to achieve our profitability targets, we manage our corporate reputation, one created over many years and guarded as our foremost asset.

We have always followed the flag of our shared corporate values and business ethics, guiding our actions and bringing us success. Consciously stirred to fulfil our responsibilities in close cooperation with our workforce and business partners, Arçelik's inspiration has always stemmed from the synergy of Koç Group's ground-breaking activities in corporate social responsibility and in selfless commitments to corporate citizenship.

Steered by the Group's principles, we responsibly embrace sustainable development in all our operations as we work on environmental and social issues, fully complying with all applicable legislation, ethical principles, and precepts of human rights. Our greatest strength lies in our employees, authorized dealers, services and suppliers and business partners who see themselves as corporate citizens committed to a dedicated effort, voluntarily expending their time and energy to the value of the community.

Arçelik's Sustainability Report tells the story of our commitment and effort to improve corporate governance and to advance our economic, environmental, and social responsibilities. We address this report to all our stakeholders in desire to communicate the entire realm of our sustainable performance for 2007.

We take great pleasure in sharing our Sustainability Report with you and wish to thank all our stakeholders for their valuable contributions to Arçelik's performance in 2007.

Sincerely,



A. Gündüz Özdemir
Koç Holding A.Ş. Durable Goods Group President

Arçelik's Sustainability Report tells the story of our commitment and effort to improve corporate governance and to advance our economic, environmental, and social responsibilities.





Organizational Profile

Arçelik A.Ş. at a Glance

Arçelik A.Ş., one of the leading companies of Koç Group and Turkish private industry, was founded in 1955. As a pioneer in Turkish household appliances sector, the Company manufactured the first washing machine in 1959 and refrigerator in 1960. In its history of more than half a century, Arçelik has always been

a pioneer in Turkish private sector with its efforts for industrial development. The company defines the principle of success as "Product of good-quality, strong sales force and effective after-sales service" and has an average of 2 products in each Turkish household.

ARÇELİK STANDS FOR...

Since 1955... more than half a century of experience

Production and marketing of durable goods, components, consumer electronics and after-sales services

More than 18.000 employees worldwide

The leader of the Turkish household appliances market with more than 4.500 dealers and 600 services

EUR 3.7 billion in consolidated net sales in 2007

EUR 1.9 billion in consolidated international net sales in 2007

Twelve production plants in four countries

Ten brands

Twelve sales and marketing companies abroad

Products and services in more than 100 countries on five continents

The largest household appliances producer in Turkey and the 3rd largest in Europe

Means of living for 1.1 million people with its employees, dealers, authorized dealers and services and suppliers

Contribution in national economy with foreign exchange revenues of USD 14 billion in the last 7 years

Tax payment of USD 2 billion within the last 7 years

50+

PRODUCT+

18.000+

4.500+

EUR 3.7 BILLION

EUR 1.9 BILLION

12

10

12

100+

PRODUCTION+

MEANS OF LIVING

EXPORTS

TAXES

Arçelik A.Ş. Global Network

Head Office

Turkey/Istanbul

Headquarters

International sales and marketing

Germany
Austria
Czech Republic
China (Shanghai)
France
England
Spain
Italy
Hungary
Slovakia
Poland
Holland

Beko Deutschland GmbH
Elektra Bregenz AG
Beko Cesko S.R.O.
Beko Shanghai Trading Co.
Beko France S.A.
Beko Plc.
Beko Electronics Espana S.L.
Arcelitalia S.r.l.
Beko Magyarorszag K.F.T.
Beko Slovakia S.R.O.
Beko S.A.
Grundig Multimedia B.V.*

International production and marketing

Romania
Russia
Russia

Arctic S.A.
Beko L.L.C.
Beko Electronics L.L.C.

International production

China

Beko Electrical Appliances Co. Ltd.

Production plants in Turkey

Eskişehir
Tuzla, Istanbul
Bolu
Ankara
Tekirdağ, Çerkezköy
Eskişehir
Tekirdağ, Çerkezköy
Istanbul, Beylikdüzü

Refrigerator Plant
Washing Machine Plant
Cooking Appliances Plant
Dishwasher Plant
Electric Motors Plant
Compressor Plant
Tumble Dryer Plant
Beko Elektronik A.Ş.

*Grundig Multimedia B.V. operates in 17 countries.



arçelik

BEKO

Blomberg

arctic

GRUNDIG

elektrobregenz

FLAVEL

LEISURE

ALTUS

arstil

Highlights in 2007



Patents and technology

- > 13% of the patents produced in Turkey over the last three years belong to Arçelik A.Ş. Regarding the same period, 45% of the applications made in Turkey to the "World Intellectual Rights Organization" belong to Arçelik A.Ş.
- > Won the first prize in the "Patent League Awards" competition organized for the second time by the Turkish Patent Institute, as the Company with highest number of patent applications with a total number of 192.
- > Has 300 patented inventions and about 40 global awards.
- > Awarded with the first prize in the "Innovation Leaders of Turkey" research study by Capital Magazine in 2007.

Sustainable growth

- > Leading position in Turkey with Arçelik, Beko and Altus brands.
- > Beko branded products are preferred by 280 million consumers all around the world. In more than 100 countries, in every 2 seconds, one Beko branded product is being sold.
- > Increase in exports revenues of white goods in five main product categories in 2007, up 22.3% over 2006 figures.
- > Upsurge in operating profits to TRY 517 million with a 4.8% increase compared to last year.
- > Rise in international sales income in total consolidated sales revenues by 50% with a total of TRY 3.3 billion, reaching one of the primary business goals before the planned time frame.
- > Growth in international branded white goods market by 23% on a revenue basis, thanks to investments, brand and company purchases abroad.
- > International revenue from branded sales of white goods amounted to 76% of all international sales in 2007. 2008 target is to raise the rate to 79%.
- > EUR 179 million investment in tumble dryer production, capacity increase, new model development, modernization, R&D, maintenance, logistics and warehouse investments.

Strong global brands

- > The research findings of an analysis done by the independent research agency GfK in 27 countries, including Europe, Turkey and Russia, point out that Arçelik A.Ş. has a 10.3% market share in this region with its brands.
- > Beko brand: Leadership in refrigerator sales in Great Britain in 2007, with a 15.7% market share. Also holds the fourth rank in England with 7.9% market share in the washing machine sector. Lithuanian market leader with a 19.2% market share in the white goods sector. 6.3% market share in washing machines in Russia. 4.4% share in freestanding dishwashers in Germany. 8.6% share in washing machines in Poland. Market leader in Belgium in freestanding ovens with a 24.2% share.
- > Arctic brand: The most powerful name in Romania with a 96% brand awareness and is the market leader with a market share above 30%.
- > Blomberg brand: Combining state-of-the-art technology and design, the brand has been the most preferred product and brand in Europe and is offered to consumers in 47 different countries from the USA to China. Voted as Denmark's "Super Brand" in 2006 and has a 90% brand awareness in the market. Also garnered a 15% share of the market in dishwashers in Israel and is one of the three major brands in combi refrigerators in the U.S.

Strategic partnerships and acquisitions

- > Strategic partnership agreement with the Fisher & Paykel Appliances Co. Ltd. of New Zealand, to expand the distribution network and diversify the product range through mutual exchange of product portfolio and technical know-how.
- > Start of manufacturing washing machines in China, with the purchase of the Casa-Shinco Company in July 2007, enabling important progress for growth in the North America and Asia-Pacific region, especially in China.
- > Acquisition of the Grundig Multimedia B.V. Company and the Grundig brand, one of the most renowned and long-established brands in Europe in December 2007, to further strengthen the position in the consumer electronics sector.

Investments and new markets

- > Start of dryer production in the 2nd half of 2007 at new location - Çerkezköy, Tekirdağ -100 km from İstanbul, with an investment of EUR 25.6 million, the Company aims to allocate 80% of the production for international sales.
- > Launch of the serial production of "Tall Tub" dishwashers, differing from European dishwashers in terms of size at Ankara Dishwasher Plant, Turkey. First shipment of "Tall Tub" dishwashers to the U.S. in June 2007.

Vision

To become one of the top 10 brands of the world in its sector until 2010 with Beko brand.

Mission

In line with values, goals and strategies of Koç Group;

- > to develop, produce, present and service products which meet our customers' needs beyond their expectations, ease home life, are easily purchased and used, and are reliable;
- > to grow and develop continuously in the target markets with shareholders' satisfaction

by providing customer loyalty and people satisfaction with using resources effectively.

Our shared values

Arçelik, together with its employees, is committed to be a symbol of trust, continuity and respect for all its stakeholders in all countries it operates. The Company aspires to ensure customer satisfaction and sound growth by providing products and services of universal high quality and standards.

- > The Customer is the focus of everything we do.
- > To be "the best" is our ultimate goal.
- > Our most important capital is our people.
- > Creation of wealth for continuous development is our key objective.
- > Honesty, integrity, respect and superior business ethics are the foundations of our behavior.
- > We aspire to strengthen the economy in which we operate and from where we derive our own strength.



The Scope and Objective of the Report

Our sustainability approach, which constitutes an integral part of our business, is based on four parameters: corporate governance, economic, social and environmental responsibilities. In this context, Arçelik A.Ş. conforms to legal, moral standards and human rights, aims to attract and retain the best-qualified and competent people, is responsive to the needs of the community, contributes to a sustainable environment while providing high quality and innovative products and services to customers.

Although at Arçelik A.Ş., the notion of sustainability has always been at the center of its operations, it has only been reported since the year 2003, as part of its business activities in its Annual Report. With this booklet, Arçelik, for first time aims to present a separate Report on its sustainability approach by attempting to address all its stakeholders in a coherent and compact manner. Arçelik aspires to improve its sustainable performance and reporting parameters in accordance with the feedbacks of its stakeholders.

Report Parameters and Boundaries

Arçelik A.Ş. Sustainability Report covers the Company's 2007 operations in the light of economic, social and environmental performance. This Report especially highlights the environment-friendly products of Arçelik A.Ş., its endeavours for good corporate governance, investments in technology and innovation, determination to achieve solid financial figures, implementation of the Code of Business Ethics and its commitment to improve the social standards.

In the preparation of the Report, the following sources were consulted with: GRI (Global Reporting Initiative) Guidelines, The UN (United Nations) Global Compact principles, Koç Group Corporate Social Responsibility Report 2007 and the EFQM framework for corporate social responsibility.

2007 Arçelik A.Ş. Sustainability Report includes consolidated information on Arçelik A.Ş. at global scale, except the figures related to our products and plants given in the environmental impacts section.



Koç Group and the UN Global Compact

Koç Group acts as a pioneer in the area of corporate social responsibility through the many projects it carries out and adopts a “responsible citizenship” approach. Signing of the UN Global Compact in 2006 confirmed in an official and international way Koç Group's commitment to “corporate citizenship” and sensitivity to social issues, a cultural value inherent since the establishment of the Group.

Koç Group, determined to create value with its employees ensuring customer satisfaction, encouraging sustainable development and offering goods and services at world class standards, has published its Corporate Social Responsibility Report for the 2006-2007 term, available at www.koc.com.tr. The report is a reflection of these efforts with a view to share with the community the Group's philosophy of social responsibility.

Koç Group abides by its Founder Vehbi Koç's credo “I exist if my country exists” and seeks to work with its stakeholders to help in human development, to advance local development efforts, to lead in environmental consciousness and to render economic development sustainable. The parallelism between Koç Group's “Objectives and Principles” and the UN's Global Compact facilitates adherence to the underlying principles. The UN Global Compact, the main purpose of which is to create a common platform against the problems encountered for the countries, cultures, and people that increasingly become more dependent on each other through economy, trade, and technology, has been signed by a total of 4.687 participants, of which approximately 3.500 are companies.

Since the date Koç Group signed the UN Global Compact, the Group companies have been working on to adopt a common approach by applying an internal benchmarking model, improving the existing policies and deploying the best practices related to corporate social responsibility with the objective of advocating the principles gathered under 10 main headings of the Global Compact.

Arçelik A.Ş., as the leading company guided with the synergy of Koç Group, is also one of the ambitious supporters of the UN Global Compact and continuing with its efforts to meet the requirements of these principles.



Ten Principles of the Global Compact

The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labor standards, the environment, and anti-corruption:

Human rights

- > Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- > Principle 2: make sure that they are not complicit in human rights abuses.

Labor standards

- > Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- > Principle 4: the elimination of all forms of forced and compulsory labor;
- > Principle 5: the effective abolition of child labour; and
- > Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- > Principle 7: Businesses should support a precautionary approach to environmental challenges;
- > Principle 8: undertake initiatives to promote greater environmental responsibility; and
- > Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- > Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.



Corporate Governance

Corporate Governance

In meeting its responsibilities, Arçelik is guided by its corporate values and corporate culture, ethical principles, good governance philosophy and code of business conduct.

Within the framework of its corporate social responsibility philosophy, Arçelik embraces its responsibility for sustainable development by working on environmental and social issues, and by fully complying with all applicable legislation, ethical principles and human rights precepts.

In accordance with international business standards, the Company has adopted four principles of corporate governance, each of which creates trust between stakeholders and organizations: accountability, responsibility, transparency, and fair treatment. In the long run, these precepts are indispensable for the success and productivity of the Company.

The Company abides by the theorem that proper corporate governance is a must for maintaining the reliability and stability promised to stakeholders, especially to its investors. The Company's meetings with its corporate investors clearly demonstrate its successful performance in implementing corporate governance principles.



Corporate Governance Principles Compliance Report*

Corporate governance principles compliance statement

According to the CMB's decision No. 48/1588, adopted on December 10, 2004, companies listed on the Istanbul Stock Exchange (ISE) must disclose their compliance with corporate governance principles in their annual reports and on their websites, if any, starting from the year 2004. In accordance with this decision, Arçelik set up a task force to review its compliance with Corporate Governance Principles, and as a consequence of its studies new information has been disclosed since 2004 in both the Annual Report and on the Company's official website.

Shareholders

● Investor and shareholder relations

The Company manages its relations with shareholders and investors through the Investor Relations Department and the Treasury and Capital Markets Management Department of the Finance Directorate, which report to the Assistant General Manager in charge of the Finance and Accounting. The main responsibilities of this department are as follows:

- > Ensuring shareholder data is kept and updated in a safe and reliable manner
- > Responding to shareholders' either written or verbal inquiries for information concerning the Company, with the expressed exception of confidential information, either written or verbal, and trade secrets which are not disclosed to the public
- > Drafting all necessary documents for the General Shareholders Meeting
- > Recording voting results and sending the results to shareholders upon request
- > Liaising with analysts assessing the Company
- > Filing material disclosures with the ISE and the CMB pursuant to the CMB's Communiqué Serial VIII, No. 39
- > Following up amendments to the Capital Markets Law and other applicable legislation and reporting these to the relevant departments in the Company
- > Representing the Company at the CMB, the ISE and the Central Registry Agency
- > Keeping the Investor Relations section of the official website up to date
- > Preparing presentations regarding financial results and distributing them to the community and publishing them on the website

In order to inform the existing and potential shareholders about the developments in 2007;

- > Nine investor meetings were attended in Turkey and abroad
- > More than 400 investors were interviewed in the meetings held at the Company Headquarters, as well as the international conferences in Turkey and abroad
- > In 2007 eight press conferences were held in Turkey and abroad, and the public and investors were informed concerning recent developments.

● The use of shareholders rights to obtain information

The Company treats its shareholders equally regarding their rights to access and review information. To ensure that shareholders are informed in a more reliable manner, the financial statements and up-to-date information on the Company is being offered on the official website both in Turkish and in English.

In 2007, shareholders' information requests were met verbally or in writing in compliance with the capital markets legislation and without discrimination against any shareholder or shareholder group. Company operations are regularly audited by an independent auditor (Başaran Nas Yeminli Mali Müşavirlik A.Ş., a member of PricewaterhouseCoopers), as well as by internal auditors elected at the General Shareholders Meeting.

● Information on shareholders' meeting

The Company's 2007 operations were discussed at the General Shareholders Meeting held on April 3, 2008. Of the 39,996,000,000 outstanding shares, 34,243,802,122 (or 85.62%) were represented at the General Shareholders Meeting. The meeting was attended by shareholders (in person or by proxy), stakeholders and media members.

- > The General Shareholders Meeting is announced at least three weeks in advance, in accordance with applicable legislation. In an effort to reach the highest number of shareholders possible, the announcement is also published on the Company's official website.
- > After the invitation to the General Shareholders Meeting is announced, financial statements and reports, including the Annual Report, the proposal for dividend distribution, an informative document on the Agenda of the General Shareholders Meeting, supplementary documents, the latest version of the Articles of Association and the text and justification of amendments to the Articles of Association, if any, are made available to shareholders at the Company's Headquarters and branches, as well as on the website.
- > Voting procedures are announced to shareholders electronically before the General Shareholders Meeting.

*The "Corporate Governance Principles Compliance Report" is covered here as a summary. For the full Report please see Arçelik A.Ş. 2007 Annual Report.

To facilitate the participation of shareholders living in Turkey and abroad in the General Shareholders Meeting, the one-week timeframe stated in the announcements is sometimes shortened. Also, all necessary documents are translated into English to inform foreign shareholders on the General Shareholders Meeting and its Agenda. These documents are sent via the banks that conduct the custody and settlement transactions of such shareholders.

At the General Shareholders Meeting, agenda items are communicated to shareholders in a manner that is detailed, objective, and comprehensible. These agenda items are discussed with shareholders, offering them equal opportunity to make any queries and share their views. Shareholders are also given the opportunity to make comments and recommendations regarding the remuneration of the Company's directors and officers.

Any shareholder who holds an access card to the General Shareholders Meeting is entitled to make comments on the Company's operations, request information from Company management, and receive answers to his/her questions. Shareholders' votes on agenda items are entered into the Minutes of the Meeting.

- **Voting rights and minority rights**

The Company announces voting procedures to shareholders at the beginning of all General Shareholders Meetings. The Company's Articles of Association do not provide for any voting privileges. Each share has a single vote. The Articles of Association do not contain any provisions preventing a non-shareholder from voting by proxy.

- **Dividend policy**

The Company has determined its dividend policy as follows: "To the extent permitted by applicable legislation and our investment requirements, long-term average dividends proposed at the General Shareholders Meeting by the Board of Directors should not be less than 50% of the annual distributable profit of the Company". The Company's dividend policy is announced in the Annual Report and on the website. The Articles of the Association do not grant any privileges in relation to the distribution of dividends.

Public disclosure and transparency

- **Company information disclosure policy**

The Company issues material disclosures to indicate information that is required or desired to be shared with the public. Any development which may influence the Company's securities is disclosed to the public without delay and within the statutory time limits. Any consequent changes and developments regarding such disclosures are also announced immediately.

Public disclosures are made using the channels required by applicable legislation. In addition to these channels, the Company also effectively utilizes data distribution companies, the media and its website for such disclosures.

- **Disclosure on insiders**

The "Code of Business Conduct" distributed to the entire Company describes how all Arçelik employees are expected to behave in business life. "Proprietary information" is defined as any information which is accessed by employees while working for the Company, and as any information which should not be known by anyone other than on a "need-to-know" basis, as well as that which can be considered a trade secret. All employees must protect proprietary information during and after their employment, and must refrain from using such information directly or indirectly. The list of top management who have access to any knowledge that affects the value of the capital means of the markets takes place in Annual Report.

Stakeholders

- **Informing stakeholders**

The stakeholders of Arçelik include third parties who have a direct relationship with the Company. Stakeholders are invited to meetings whenever necessary or are informed using telecommunication channels. The Company believes that cooperation with stakeholders is beneficial in the long run and respects and protects the rights of stakeholders as specified in applicable legislation, agreements and by mutual understanding. The Company ensures that its stakeholders, including its employees and representatives, report their concerns to the management concerning any illegal or unethical transactions. The Company's most important stakeholder group consists of more than 4.500 authorized dealers all around Turkey. Dealers are encouraged to participate in the Company's management through the "Dealer Meetings". The Company has around 5.000 suppliers and organizes "Supplier Days" to communicate its targets and strategies.

Mechanisms and models supporting participation of stakeholders, and especially of employees, in the Company's management have been developed without impeding the operations of the Company. Stakeholders are encouraged to participate in management through various channels such as proposals or surveys, which do not delay Company operations.

Board of Directors

● The structure and composition of Board of Directors and independent members

The Board of Directors of Arçelik is composed of nine members. Following the election of the Board of Directors by the General Shareholders Meeting the Chairman and Vice Chairman of the Board are elected. In the event of any vacancy on the Board, Article 315 of the Turkish Commercial Code applies.

Pursuant to Articles 334 and 335 of the Turkish Commercial Code, the Chairman and members of the Board seek the consent of the General Shareholders Meeting in order to directly or indirectly engage or own shares in any business which is similar to the business of the Company.

All Directors have worked in various sectors for many years and are experienced in the business of the Company. The Company benefits much from the knowledge and experience of its Directors. The Directors are able to voice their opinions openly, free from any influence. The Company has affiliates and subsidiaries operating in various industries. Believing that Directors' participation in the management of related companies would serve the interests of the Company, Directors are not subject to any rules or restrictions regarding the assuming of other tasks outside the Company.

Directors are qualified pursuant to Chapter 4, Articles 3.1.1, 3.1.2, 3.1.3 and 3.1.5 of the CMB Corporate Governance Principles.

The powers and duties of the Company's Board of Directors are defined clearly in the Articles of Association. Powers are listed in detail for the list of authorized signatures. These documents are filed with competent authorities and also posted on the Company's website.

● Principles of activity of the Board of Directors

Pursuant to the Articles of Association, the Board of Directors meets as required by the business of the Company. The Board must meet at least four times a year. The Board convenes upon the request of the Chairman or two Members. Reasons for any dissenting opinion or vote are recorded in the Minutes of Board meetings. Detailed reasons for dissenting votes are disclosed to the public. However, no such disclosure was made in 2007, since no dissenting opinion was voiced during Board meetings.

The Agenda of a Board Meeting includes issues that are reported by the relevant departments to the Company officers and directors and require a Board decision according to the Articles of Association. A meeting agenda is also prepared when any Director informs the senior management of the Company of a material issue which requires a Board decision.

The Company has set up an Audit Committee to ensure that the Board of Directors fulfills its duties and responsibilities in a reliable manner. The Audit Committee is composed of two members.

Pursuant to the Articles of Association, the rights to be granted to Directors are determined at the General Shareholders Meeting. At the General Shareholders Meeting of April 3, 2007, the shareholders decided to pay a salary to the Directors. According to this decision, the Chairman and Members of the Board will be paid a monthly gross salary of 1.265 TRY. Executive members also receive remuneration based on their performance. Directors and Officers are not allowed to borrow or receive loans other than advance payments granted in compliance with the Company's internal procedures. No surety is granted in favor of Directors and Officers.

● Internal control and risk management mechanism

At Arçelik the management of financial risks is the responsibility of the Treasury and Capital Markets Department and financial risks are screened and reported by the Risk Management Department formed within the structure of the Finance Directorate. Additionally, in order to create a reliable internal control mechanism, an Internal Audit Department has also been established reporting to the Assistant General Manager responsible for Finance and Accounting. Related departments are responsible for determining and reporting financial and operational risks. The Audit Committee continuously monitors the functioning and effectiveness of the system and, when necessary, informs the Board of Directors of any problems and proposed solutions with respect to the internal control mechanism.

Commitments to External Initiatives

In Arçelik A.Ş., the Corporate Relations Department is in charge of managing relations with external institutions. The department's responsibilities are:

- > To establish coordination within and outside the Company in the process of execution of changes in legislations, to coordinate lobbying activities in line with the policies of the Company and to represent the Company in the approved institutions
- > To establish coordination about the non-governmental organizations, governmental organizations and other sectoral institutions
- > To follow up governmental institutional affairs

The Corporate Relations Department works in close cooperation with the government and ministries. Arçelik A.Ş. represents the consumer durables sector in the EU (European Union) harmonization process, acts as a pioneer for its sector, undertakes an editor position by translating the EU directives and plays an active role in transposing the EU directives into the Turkish legislation.

The Coordinator of Corporate Relations department holds the presidency of the Board of Directors of TURKBESD (Turkish White Goods Manufacturers' Association) and the presidency of Durable Goods Assembly in TOBB (the Union of Chambers and Commodity Exchanges of Turkey) along with the presidency of İstanbul Electrical-Electronics and Machinery Products Exporters' Association.

In the scope of energy efficiency and other related environmental issues, the department works closely both with the Ministry of Energy and the Ministry of Environment and Forestry fulfils several projects. The Company transfers its industrial know-how and expertise to support governmental decisions and, contributes in preparation of various legislations in joint action.

In terms of energy labeling, the Company is currently carrying out a public awareness project with UNDP (United Nations Development Program) and supporting through TURKBESD, the initiatives for the conformity of companies with energy labeling procedures.

Since 1997, Arçelik A.Ş. has been a direct member of CECED (the European Committee of Domestic Equipment Manufacturers), which represents the household appliance industry in Europe. Arçelik, as a CECED member, has also automatically signed in voluntary agreements on energy efficiency along with big European manufacturers, set itself voluntary targets and put its signature on commitments regarding energy efficiency, beyond just meeting the expectations.

Arçelik as a signatory of the CECED Energy Label Verification Procedure (for internal purposes) deems it very important that consumers have confidence in the information given by the Energy Labeling. The participants of this Procedure wish to check the compliance of each others' Energy Labeling and to accelerate clarification and correction of allegedly wrong Energy Labeling. Participants intend to carry out the necessary tests to ensure the correctness of the Energy Labeling. With the intention to clarify and if necessary to correct any allegedly wrong Energy Labeling the Participants agree on the Procedure as additional possibility of verification and correction of the Energy Labeling.

Arçelik was also among the first voluntary signatories of the Code of Conduct issued by CECED in 2005. The Code of Conduct ensures that companies demonstrate a sustainable performance in meeting the requirements of international conventions on working conditions and those regarding environmental laws and standards. Companies that sign the Code of Conduct encourage their suppliers to comply with these principles, as well.

Anti-competitive behavior

Arçelik A.Ş. pays utmost importance to comply with the competition rules and regulations. In this regard the Company has always responded the inquiries of the competition authorities and provided them with necessary feedback and applications. Consequently, having obtained the necessary permissions, Arçelik A.Ş. operates in accordance with the relevant exemptions. Moreover, in cases of mergers and acquisitions, the Company has provided the necessary notifications to the Turkish Competition Authority on time and received the necessary approvals. Up to date Arçelik has not been fined with any penalty on anti-competitive behavior from the Turkish Competitive Authority.

Public policy

Arçelik A.Ş. supports the development of national economy and the prevention of unrecorded economic activity. Moreover, the Company is a significant contributor to public policy processes via TOBB (the Union of Chambers and Commodity Exchanges of Turkey) and Exporters' Association, in the preparation of industrial policies, increase of efficiency in production and employment.



The European Committee of Domestic Equipment Manufacturers

Human Rights

Arçelik believes that its most important duty is to comply with international standards and regulations in its production activities and adopts an employee-focused approach that is consistent with global norms. Arçelik complies and respects the laws, and customs of the countries in which it operates.

As an indication of its commitment to its employees, the Company conducts fact-finding surveys to meet the requirements of the Global Compact principles and SA 8000 (Social Accountability) Standard. Efforts at improvement are implemented in order to meet the expectations of employees and to create a more healthy and safe working environment.

In 2005, Arçelik became one of the first signatories of the Code of Conduct issued by CECED. This treatise ensures that companies demonstrate a sustainable performance in meeting the requirements of international conventions on working conditions (including minimum employment age, working hours, occupational health and safety, collective agreements) and those regarding environmental laws and standards. Companies that sign the Code of Conduct encourage their suppliers to comply with these principles as well.

Within the framework of this ethical agreement, an annual progress report is being published on the CECED website (<http://www.cecened.org>). Aware of the value of people for economic sustainability in the entire scope of its activities, Arçelik A.Ş. performs national and international activities in the durable consumer goods industry, in accordance with its Quality, Environmental, Health and Safety Policies.

Abiding by all applicable legislation and principles of the CECED Code of Conduct, Arçelik does not commit or condone an illegal act. All local and foreign suppliers of Arçelik are communicated the Code of Conduct principles and are required to comply with them. These principles are built in the suppliers' terms and conditions. Implementation of Code of Conduct principles in Arçelik has resulted in the improvement of communication and awareness at all levels, development of the local suppliers, increase in employee satisfaction and contribution to sustainable development.



Arçelik published “Arçelik Human Resources Policies, Shared Values and Business Ethic Codes” booklet in 10 different languages to guide its employees and raise the awareness in every country and field in which it operates.

This booklet comprises Arçelik's approach for the implementation of the principles such as non-discrimination, freedom of association and collective bargaining, health and safety, compensation.

Business Ethics Codes

Arçelik aims to be a symbol of reliability and esteem towards its partners, dealers, side-industry collaborators and customers and always respects the laws.

Arçelik as a whole, with its employees, shareholders, dealers and other business partners is fully aware of its responsibilities to society, the environment, customers and business partners, and these responsibilities constitute the fundamental principles of its business ethics.

Arçelik business ethics are a part of daily work life. All of our employees should be the natural guardians of these work ethic principles. Therefore, the Company has documented and communicated its business ethic codes in order to ensure that Arçelik employees, at all levels, understand, accept and comply with these business ethics during the performance of their duties. Arçelik's Code of Business Conduct includes the following principles:

Working in ethical framework...

Conflict of Interest

Conflict of interest arises in situations where an employee may personally benefit from his/her own business decisions or confidential information possessed, as well as developing close associations with persons of organizations that can have such benefits. In case of a potential conflict of interest, informing the immediate manager promptly can provide a solution before it becomes a problem. Typical causes of conflict of interest and appropriate actions are explained below:

- Commercial investments
- Business activities
- Gifts and invitations

Business activities of relatives

Arçelik employees cannot be part of the decision-making process for the companies that are in direct competition with, or providing services or goods to, or customers of Arçelik where these companies are owned or managed by a spouse or a close relative. An Arçelik employee should not be in a position reporting to a close relative in Arçelik. Such a relationship may result in biased decisions on performance assessment, promotion, career development, salary adjustments, etc.

Gathering information for competitive purposes

In order to achieve the goals and strategies of Arçelik, employees may acquire information on competitors as part of their work. While doing this, they must be aware of Arçelik values and business ethics.

Confidentiality

Arçelik employees will, occasionally, have access to confidential information, documents or materials as required by their work. Some of these may be commercial secrets. Protecting these secrets is extremely important to protect the company's future success and, therefore, the job security of its employees. A relationship of trust is developed between employees and Arçelik relating to confidential information from the moment they start work. This is necessary for maintaining the Company's competitiveness.

Environment, health and safety

Arçelik is committed to comply with all laws and regulations pertaining to its products and operations. It is the responsibility of all employees to know, follow and comply with the laws and regulations pertaining to within the country in which they are located.

Internal audit

Internal audits are conducted to ensure that operations are managed adequately by comparing them with policies and procedures. Strong internal controls assist managers in achieving appropriate business results. Inadequate controls lead to losses through mistakes, wrong interpretations and loss of business opportunities.

Public sector relations

In Arçelik, special effort is made to behave honestly in our relationships with the public sector.

No Arçelik employee should think that the Company would benefit from intentionally misleading public sector employees. This may not only harm Company policies but could also result in legal action involving fines or imprisonment. Arçelik policies prohibit giving gifts to public employees, except for ordinary, inexpensive items such as pens, agendas, etc.



Intellectual property

Arçelik employees respect intellectual property and comply with all legal requirements. Any book, article, invention, work, owned by someone else cannot be used in Arçelik, for any purpose, without payment of appropriate royalties. Employees pay attention and are pursuer to protect patent rights.

Similarly, it is the responsibility of every employee to follow procedures and be sensitive to the protection of the Company's intellectual property (inventions, industrial designs, brands).

Business Principles

Respect for others

Arçelik employees respect each other. No Arçelik employee may behave in a way that is insulting or that makes customers or suppliers uncomfortable. If an employee believes there is harassment, this must be brought to the attention of the Company for immediate investigation. In such circumstance, the employee should report the situation to a higher-level management or to the Human Resources Manager. The Company is responsible for assessing the allegations in a complete, timely and appropriate manner; applying company disciplinary procedures, where appropriate, and to protect the individual from any retaliation.

Alcohol and unprescribed drugs

No Arçelik employee is allowed to use alcohol or unprescribed drugs during working periods and/or in working areas.

Workplace security

No employee may behave in a manner that would, or could potentially, harm another employee, Arçelik property or the property of others. Each Arçelik employee is responsible for identifying situations that present danger or a violent threat to employees or their property. In these situations, managers are responsible for alerting employees and reporting such incidents that affect employees. Managers must take all appropriate precautions to minimize risk whenever they believe a potentially violent situation may exist. They must maintain their professionalism and refrain from inappropriate behavior in such situations.

Work environment

The Company is responsible for providing a secure, healthy and productive work environment. Every employee is personally responsible to the Company and to other employees to refrain from behavior and incidents that damage this environment.



Equal rights

Every employee working for the Company is deemed equal regardless of race, language, religion, age, sexual orientation, nationality, disability or sex. Equal conditions and opportunities are available to all employees. Arçelik is committed to complying with all laws and regulations governing equal rights and discrimination; at the same time, Arçelik works in a way to ensure a work environment that does not condone or tolerate any harassment, intimidation, or discrimination.

Implementation Clauses of Business Ethics Codes

If an Arçelik employee is uncertain of any aspect of the Arçelik business ethics, the chain of authority to be consulted starts with the immediate manager, then the human resources manager and, when necessary, involves upper Arçelik Management.

If commitment to Arçelik business ethics is violated, the Company disciplinary procedure will be used, if appropriate, after a thorough investigation has taken place. Any proven offence will result in disciplinary action, which could include dismissal. All cases will be documented and stored in employee's file.



Economic Responsibilities

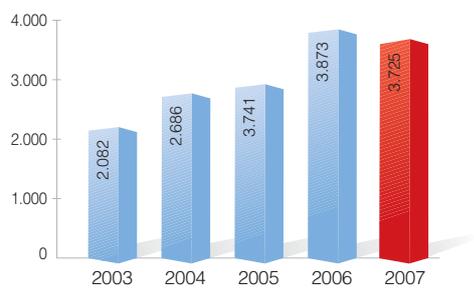
Financial Performance

Arçelik's successful performance is reflected in its 2007 financial results:

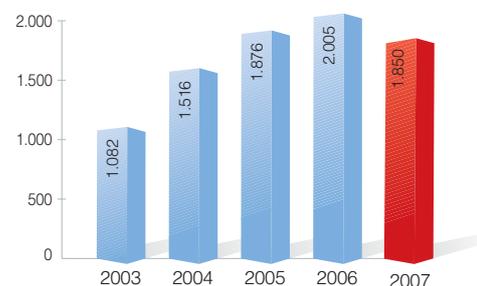
- > TRY 6.6 billion in consolidated sales revenues.
- > Rise in operating profits to TRY 517 million with a 4.8% increase compared to 2006, despite the shrinkage in the Turkish white goods sector.
- > Year-end gross profit margin of 26.7%.
- > TRY 662 million in earnings before interest, tax, depreciation and amortization with an increase of 1.8% over the previous year.
- > Net profit of TRY 158 million.
- > Year-end market capitalization of EUR 1.9 billion, reflecting an increase of 6% over 2006.
- > An average of annual 14% increase in international sales over the last 5 years.
- > Increase in exports of white goods in five main product categories in terms of revenues in 2007, up 22.3% over 2006 figures.
- > Upsurge in international revenues in total consolidated sales revenues by 50% with a total of TRY 3.3 billion, thereby reaching one of its primary business goals before the planned time frame.
- > Shareholder's equity amounting to TRY 2.1 billion within the Company's TRY 6.5 billion balancesheet footing.
- > EUR 179 million investment in 2007, EUR 167 million planned for 2008.



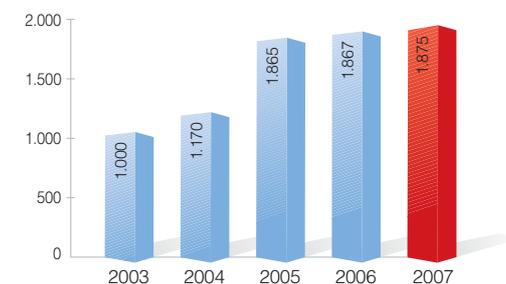
Net sales
(EUR million)



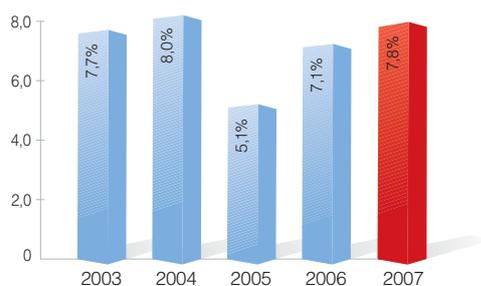
Net sales-domestic
(EUR million)



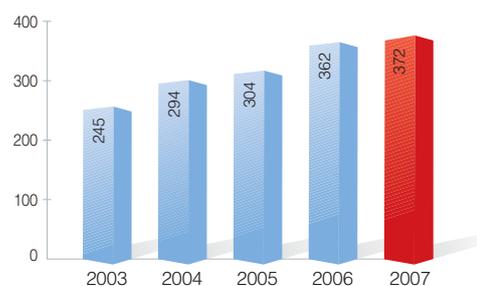
Net sales-international
(EUR million)



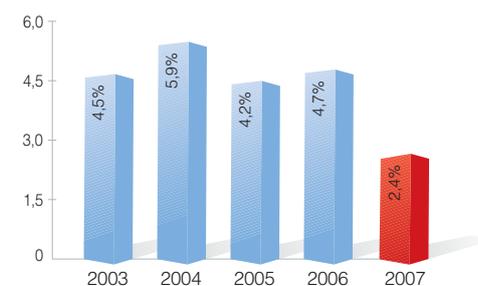
Operating margin
(%)



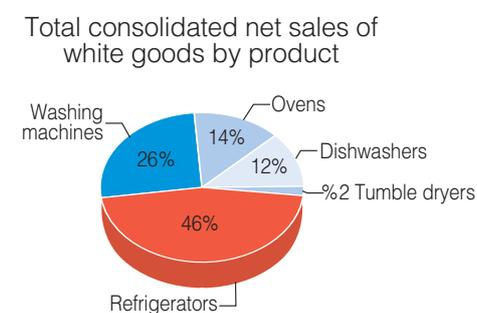
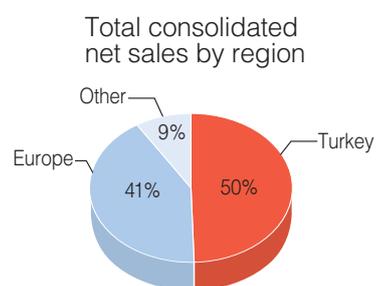
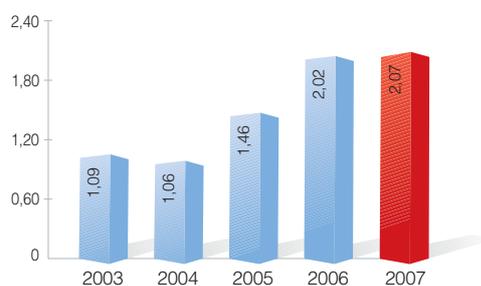
Ebitda
(EUR million)



Net margin
(%)



Debt-to-equity ratio



Five-Year Consolidated Financial Review

(EUR million)

Arçelik's successful performance in 2007 is evidenced by its financial figures. While we significantly strengthened our leadership in Turkey, we continued to improve our share in global markets with our brands through strategic investments and acquisitions, parallel to our vision.

	2007	2006	2005	2004	2003
1. Net Sales - Total	3,725	3,873	3,741	2,686	2,082
2. Net Sales - International	1,875	1,867	1,865	1,170	1,000
3. Gross Profit	996	1,026	896	672	542
4. Income from Operations	291	275	190	214	161
5. Income before Taxes and Minority Interest	112	202	179	228	134
6. Net Income	89	180	156	159	95
7. EBIT	291	275	190	214	161
8. EBITDA	372	362	304	294	245
9. Total Current Assets	2,420	2,272	2,181	1,372	1,110
10. Total Current Liabilities	1,846	1,555	1,261	791	605
11. Working Capital	574	718	919	581	505
12. Property, Plant and Equipment - Net	706	602	586	352	342
13. Total Assets	3,816	3,445	3,236	1,908	1,606
14. Total Liabilities	2,562	2,291	1,891	976	830
15. Minority Interest	17	18	51	12	11
16. Shareholders' Equity	1,238	1,136	1,294	919	764
17. Net Cash Provided by Operating Activities	68	(85)	194	108	202
18. Net Cash Used in Investment Activities	(176)	(260)	233	(120)	(64)
19. Cash Inflow before Financial Expenses	(108)	(345)	427	(12)	138
20. Dividends Paid	114	113	146	1	47
21. Cash and Cash Equivalents at the End of the Year	177	156	185	155	189
22. Capital Expenditures	179	181	153	105	78
23. Depreciation and Amortization	81	87	113	80	84
24. Year-end Market Capitalization - (ISE)	1,897	1,788	2,364	1,803	1,788

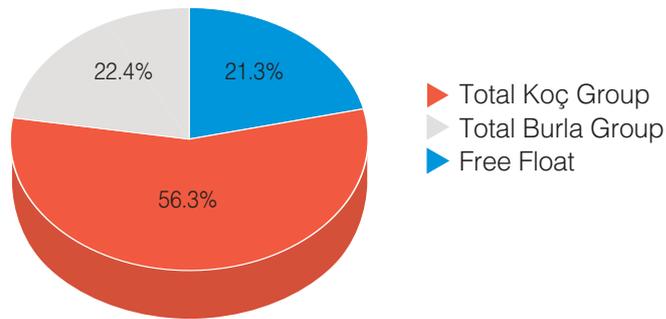
Except for 2007, 2006 and 2005, the above figures have been adjusted in accordance with the purchasing power of the Turkish Lira on December 31, 2004 and converted to Euro at the 2004 year-end exchange rate. In 2006 and 2005, the income statement items were converted to Euro at the average Euro rate, and the balance sheet items at the year-end Euro rate (Item 24 excluded).

2007, 2006 and 2005 figures are based on full consolidation with the Beko Elektronik Group. Figures for 2004 and preceding years are Arçelik figures only, and do not include Beko Elektronik Group's figures.

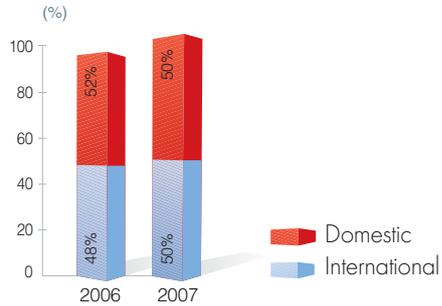
Shareholder Structure

Shareholders

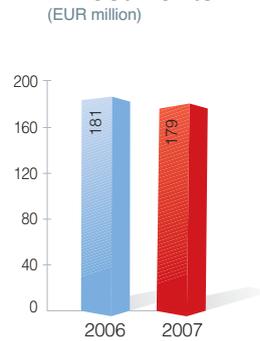
Shareholders	Paid-in capital (TRY thousand)
Koç Holding A.Ş.	156.546
Koç Group Other	68.912
Koç Group Total	225.458
Total Burla Group	89.358
Free Float	85.144
TOTAL	399.960



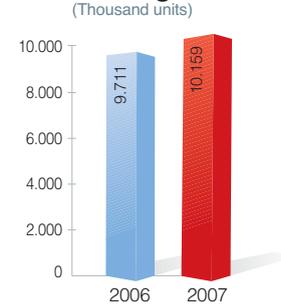
Breakdown of consolidated sales revenue



Investments



Production of white goods





Environmental Responsibilities

For the Environment

Environmental Approach

Today, humanity is faced with the threat of rapidly changing environmental conditions and diminishing natural resources. Arçelik and its employees believe that it is their duty to protect the environment for the future generations and have adopted a “Sustainable Development” approach. Based on the principle of Total Quality Philosophy, it is our intention in all our activities to do everything possible to protect the world's environmental natural resources and to increase social consciousness on this vital issue.

The Company documents and certifies its environmental management system according to ISO 14001 Standard. Arçelik A.Ş. guarantees to improve continuously, prevent environmental pollution and comply with all activities and product related regulations and standards within the framework of ISO 14001:2004 Environmental Management System Standard. The Company's environment-friendly approach and responsibility, as well as its technological successes, are the outcome of its management system and policies, entirely integrated into the production and development processes. At Arçelik's environment-friendly production plants, all international product and management standards are implemented, particularly ISO 9001:2000 and ISO 14001:2004. Internal system audits are carried out regularly to assure that the management systems are implemented effectively and continuously.

Environmental Policy

Arçelik and its employees comply with all applicable national and international environmental laws and regulations; manufacture environment-friendly products in line with environmental management system based on continuous improvement.

We perform our activities to

- > inherit a clean and healthy environment to the new generations
- > use energy and natural resources efficiently
- > minimize the adverse environmental impacts of production, beginning with the design stage
- > prevent pollution at the source
- > raise environmental awareness of our employees and the society

accompanying the Quality, Health and Safety Management Systems and we strive to set a model in durable goods sector with regard to environmental efforts.

At Arçelik's environment -friendly production plants, all international product and management standards are implemented.



National and International Directives, Regulations and Standards Related to Environment

Arçelik believes that economic development is possible only through the sustainable use of natural resources. Therefore, the Company is committed to protecting the environment and ecological balance at every stage of its production activities, as well as ensuring the sustainability of natural resources. Moreover, Arçelik continually strives to comply with EU directives as well as national regulations to ensure that its products comply with all applicable regulations during their entire lifecycle from design to recycling.

The Company closely monitors developments in the industry both in Turkey and abroad and, as a member of the European Committee of Domestic Equipment Manufacturers (CECED) and other EU workgroups, endeavors to meet the requirements based on the whole environmental legislation. Some of the most important and recent environmental legislation issues, which are directly related to our sector are:

- > WEEE - Waste of Electrical and Electronic Equipment
- > RoHS - Restriction of the Use of Certain Hazardous Substances
- > EuP - Eco Design Requirements for Energy Using Products



The Company also takes active part in the harmonization of the EU directives working closely with the Ministry of industry, Ministry of Environment and Forestry and other related institutions.

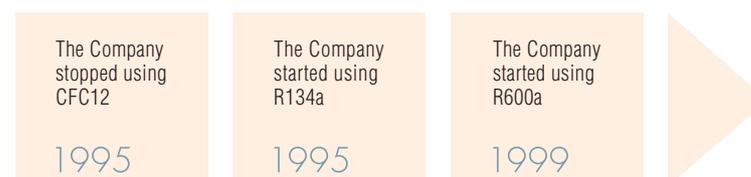
EuP initiative aims at improving the environmental performance of products throughout their life-cycle by systematic integration of environmental aspects at the earliest stage of their design. The systematic defines the Global Warming Potential of each product category, according to their life-cycle analysis. EuP studies also aim to have Best Available Technologies for each product category and the data is used to provide a basis for the environmental limits. The specific aims of the EuP Directive are to; ensure the free movement of energy-using products within the EU; improve the overall environmental performance of these products and thereby protect the environment; and contribute to the security of energy supply and enhance the competitiveness of the EU economy.

The “Beyond A” approach of the European Committee of Domestic Equipment Manufacturers (CECED), which envisages unlimited decreases of energy in white goods, paved the way for developments in this area. CECED leads efforts to make laws banning the sales of refrigerators and freezers that are B level and below in EU states by 2009. Up to now, Refrigerator, Washing Machine and Dishwasher EUP analysis have started and Arçelik has participated in all categories. As an intermediate result of this analysis; “Beyond A” labeling studies began, where the label will be an open ended scheme.

In February 2003, the European Union published the WEEE Directive, which requires manufacturers of electrical and electronic products to organize the disposal, recycling, recovery or reuse of goods put on the market. To comply with the WEEE Directive, Arçelik fulfills obligations through membership in collection and recycling schemes, wherever applicable. In 2007, Arçelik spent around 9 million Euros to recycle waste of electrical and electronic equipment in Europe. Arçelik is a member of several collective schemes providing for disposal of products at the end of their life cycle (WEEE Directive). Such schemes are the response of major white goods manufacturers to calls to eliminate pollution, including damage to the ozone layer, and to maximize recovery of materials for re-use in production processes.

Moreover, working jointly with its suppliers, Arçelik is continuing preparations regarding the EU's new chemicals strategy, REACH (Registration, Evaluation and Authorization of Chemicals), which has been entered into force on 1st June 2007. The REACH Regulation (2006/1907/EC) will have a definite impact on all manufacturers, importers, downstream users, distributors and all other business stakeholders. This huge impact requires a strict collaboration of all our supply and distribution chain. Arçelik A.Ş. supports the objectives of REACH, including protecting human health and the environment and has started a compliance management program just after the Regulation has been published. To fulfill our obligations we have set up a communication system with our supply base; all suppliers are informed about the REACH requirements and Arçelik obligations and they are obliged to comply with REACH. This system will ensure that all products (articles) supplied by Arçelik will fully comply with REACH, and all REACH related information needed by our customers will be provided.

Arçelik was also the first household appliances manufacturer to produce refrigerators without ozone-depleting CFC gases in 1995, much earlier than 2006, which was the deadline set for Turkey in the Montreal Protocol.



We exist as long as our world exists.



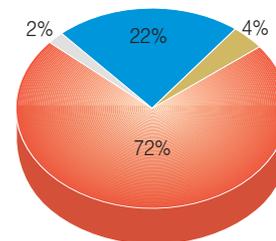
If all the tumble dryers sold in Western Europe in 2007 are replaced by Blomberg Heat Pump dryers, an average of 600.000 tons of CO₂ could be eliminated from the environment annually, corresponding to more than 8.000 turns of forestation.

At present, a metric has been created called GWP (Global Warming Potential) in order to analyze the impact of products on the environment. Accordingly, the damage caused by a product in the process of Manufacture, Distribution, Use and Discard can be expressed numerically. Being a member of the European White Goods Manufacturers Association, Arçelik provides data to such surveys throughout Europe and monitors the resulting reports closely. The part with the highest Global Warming Potential among the processes named in such reports issued as per each product is the impact during "Use". It is followed by the impact during the supply of materials and manufacture.



Energy cycles of a washing machine throughout its average life (11.4 years)

- > Manufacture
- > Distribution
- > Use by the customer
- > End of Life (EOL)



Global Warming Potential (GWP): Manufacturing and use*

- ▶ Material supply (production)
- ▶ Manufacturing (production)
- ▶ Energy supply (use phase)
- ▶ Water supply (use phase)

*Source: "Eco efficiency Analysis of Washing Machines" Öko-Institute, 2005.

Producing Energy-Efficient Technology

The advertisement expresses that if all refrigerators used in Turkey were replaced with Arçelik A+ (5087 NF Plus), it would be possible to save energy equivalent to the energy production of Atatürk Dam (8900GWh/year) in one year and Keban Dam (6000GWh/year) in one and a half year.



At Arçelik, controlling environmental impact throughout the lifecycle of the product starts at the design stage. Therefore, the R&D Department that develops technologies, the Product Development Department that expands and improves products and the Industrial Design Department assigned with the task of designing products work cooperatively. The result of this successful cooperation is the A+ product line that adopts an environment-friendly product identity. According to the EU standards, when Arçelik Class B performance products are replaced by "A" class performance products, there will be almost 20% energy savings.

Arçelik is committed to protecting the environment and making natural resources sustainable in line with its management approach based on the concept of total quality, a philosophy that calls for the continuous improvement of production processes that comply not only with today's standards, but those of the future, as well. Furthermore, Arçelik strives to constantly improve its product development processes focusing on energy and water saving, recognizing the importance of these valuable resources in dealing with such problems as "global warming" and the "depletion of natural resources" and "water shortage".

A good example of Arçelik's environmental concern and how it uses technology to save natural resources is seen in its "**Ecologist**" dishwasher, which is the world's most water-efficient model. Compared to washing by hand, Arçelik 62101 EI "**Ecologist**" dishwasher, which consumes the lowest amount of water in the world, economize 26 tons of water per year by using only 9 lt of water per cycle. The "**Ecologist**" while providing product excellence economically contributes to environmental protection.



Technology with Efficient Resource Usage

We believe that economic development should be provided through a sustainable and environmentally-conscious approach and aim to protect the environment and ecological balance in our investments for production processes.

Arçelik A.Ş. believes that economic development should be provided through a sustainable and environmentally-conscious approach and aims to protect the environment and ecological balance in its investments for production processes. At every stage of production, processes are being continuously improved in this respect and the resources consumed per product are decreased with the annually-revised targets.

Chemicals used in all kinds of processes are selected according to their impacts on the environment; usage of any hazardous chemicals is abandoned notwithstanding statutory periods or legal restrictions.

- > In Eskişehir Refrigerator Plant, electricity consumption decreased 25%, water consumption 23%, natural gas consumption 40%, dyestuff consumption 20% and wastewater 29% per product in the last 5 years. Furthermore, the usage of R12 coolant was ceased in 1996, Trichloroethylene and Chloroform in 1997, usage of chemicals with high rate of nickel in the painting mill was abandoned in 2000, and chemicals with zinc content were abandoned in 2007.
- > In Dishwasher Plant in Ankara, the wastes from pre-painting process and oil baths are filtered by industrial treatment since 1993. By various improvement projects, the total energy consumption per dishwasher produced has been decreased 56% from year 2000 to year 2007.
- > In Washing Machine Plant in Çayirova, separators and automatic filters were commissioned to decrease wastes from the oil baths in the phosphate line of the painting mill and also from the cataphoresis painting line in 2003. Approximately 350.000 m³ less natural gas is being consumed annually thanks to the process change in the powder painting system.

All waste waters are being treated at waste water treatment plants in accordance with the standards dictated by national and international regulations and the resulting water is being reused in garden irrigation and in some other processes. Recycling of phosphate rinsing waters in Çayirova Washing Machine Plant started in 2007.

Waste disposal is being carried out in the most fastidious manner and sent to the firms licensed by the Ministry of Environment and Forestry. These applications are being implemented in all our plants according to the processes.

The recycling rate for large electric and electronic domestic appliances is 80% pursuant to the relevant EU directive. Thanks to improvements in raw materials, Arçelik achieved a 90% recycling rate in all its products in 2006.

In 2007, Arçelik attended the annual "Electronics and Environment Conference" organized by the Institute of Electrical and Electronics Engineers (IEEE), the world's leading professional association for the advancement of technology. Following a rigorous selection process by a jury of academicians and experts in the sector, Arçelik engineers had the honor of presenting a paper entitled "The Recycling of Electric and Electronic Materials."

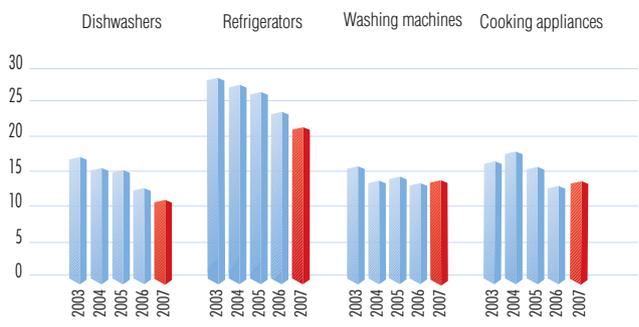


Environmental Impacts*

Arçelik monitors environmental impact of its plants and defines measurable targets for improvement on energy efficiency. Thanks to the improvements on electricity usage realized in production facilities between 2005-2007, the Company decreased its CO₂ emissions by an annual average of 6.000 tons, which correspond to 80 turns of forestation.

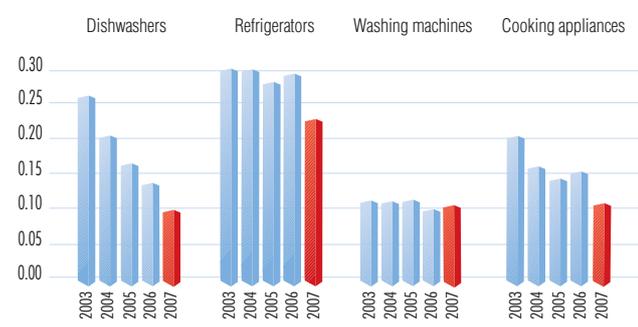
PLANTS

Energy consumption (kWh/product)



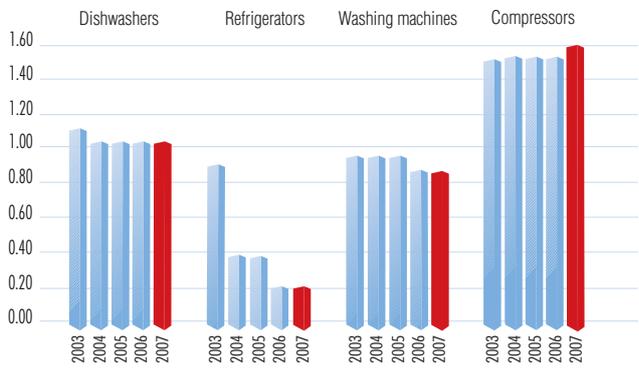
PLANTS

Water consumption (m³/product)



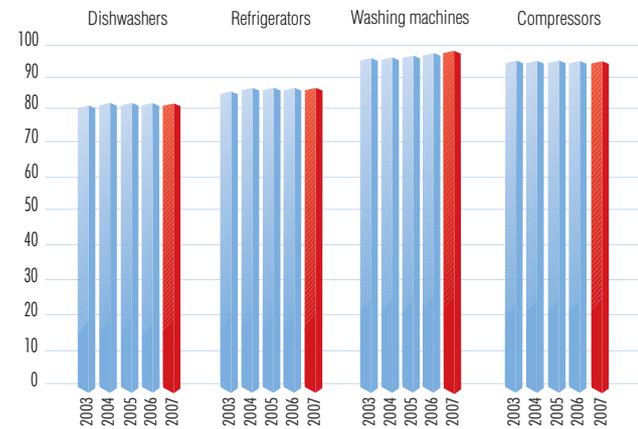
PLANTS

Energy consumption trend (kWh/24h)

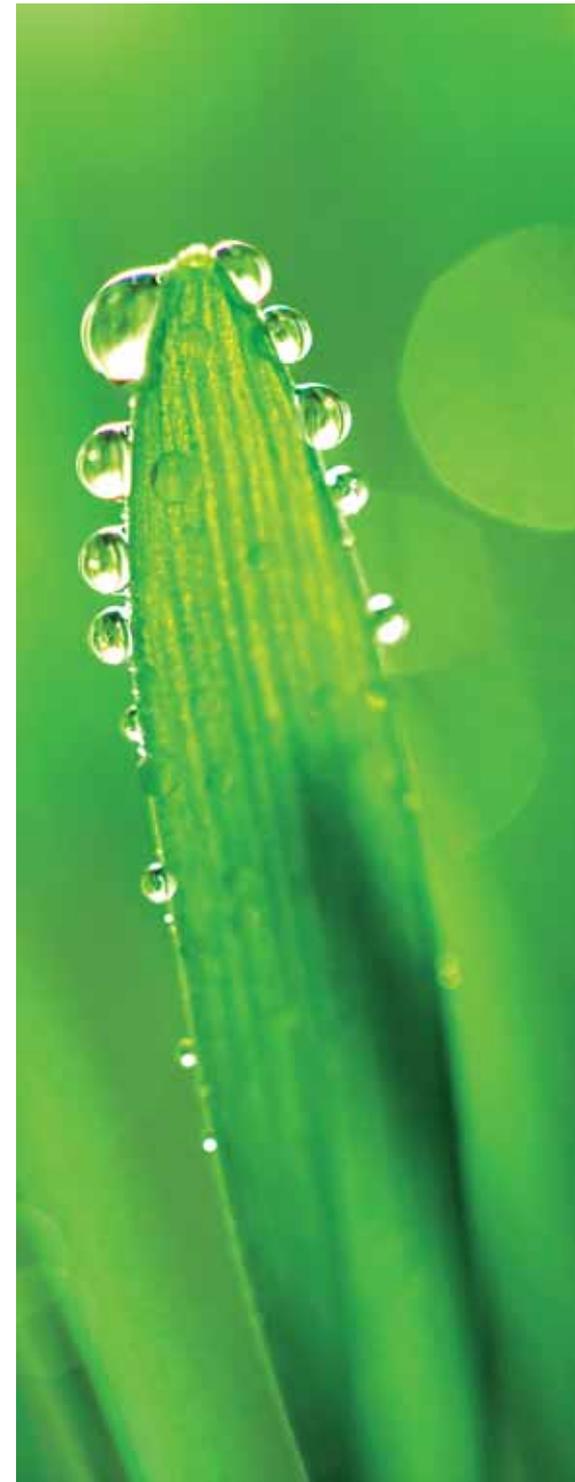


PRODUCTS

Recycling rate (%)



*The figures covered in the above graphics indicate data only related to our selected product categories and plants in Turkey.



Research and Development

Arçelik, for more than half a century, has been a pioneer in innovation.

Arçelik A.Ş. is the technology and patent leader of Turkey, with its more than 550 full time R&D staff and its investments in R&D since 1990s, to produce its own technology without utilizing any license.

According to a report by the European Parliament, Koç Group is among the first 1000 companies investing in R&D. Guided with the synergy of Koç Group and with our determination to produce our own technology, we continue to develop our own technology and invest in energy efficient products.

Arçelik and innovation

The main mission of the R&D center, established in 1991, is to develop technologies with high efficiency that are sensitive to the environment and that enable savings and to utilize these technologies in the products.

Arçelik's innovative approach is summarized with its R&D vision, which is based on developing its own technology and designing the products that;

- > are environment-friendly (recover, recycle, reuse, and low energy, water and detergent consumption),
- > ensure comfort and customer satisfaction (smart, noiseless, user friendly),
- > are affordable and in compliance with standards of the future.



Investments on prevention of pollution (TRY)

	2006	2007
Waste water, drinking water analysis	21.568	15.454
Purification mud analysis	99.969	14.470
Construction of sites to prevent the environmental pollution	2.000	18.093
Preventative maintenance for environmental pollution	97.813	95.554
Chemical clearance to prevent pollution	291.831	280.138
Authorization expenses related with the environment		1.017
Fixed maintenance cost related with the environment	69.993	
	583.175	424.727

Investments on environment-plants (1997-2007)

Plants	EUR	TRY
Washing Machine	367.094	635.282
Refrigerator	1.328.879	833.559
Compressor	751.420	328.790
Dishwasher	145.960	249.459
Cooking	1.998.950	3.595.121
Tumble Dryer	152.704	275.408
	4.745.006	5.917.618

The amount of R&D investments totaled to TRY 1.235.640 in 2007. The Company was granted with a government incentive of TRY 12.383.867 for its R&D activities in the last year.



Patent League Awards

With its 192 patent applications, Arçelik retained its status as the “Champion” in the Turkish Patent Institute’s “Patent League Awards” in 2007.

The number of patent applications filed in 2007 carried Arçelik among leading companies in the international arena. Arçelik became the only company from Turkey in the World International Property Organization’s listing of the top-500 patent applicants, where it took the 101st place.

Arçelik has always considered innovation a key element for all its processes. As one of the basic principles, the Company respects consumer insight, which guides its way to prepare long term plans.

When the energy efficiency is considered, the products designed as A, A+ are minimum in terms of damage to the environment. In this respect, the greatest support of Arçelik is the investment made in R&D.

The energy efficiency efforts carried out in the "Use" phase, which has the greatest impact in Global Warming Potential, on the other hand, dates back to 10 to 15 years from the present, when we start to talk about climate change and Kyoto Protocol.

Arçelik was the first and only Turkish company invited to the 10th Climate Conference, organized by the UN, held in Buenos Aires, the capital of Argentina in 2004, where the developments regarding the Kyoto Protocol were discussed.

Arçelik A.Ş. meets and exceeds the limits defined by the EU in terms of energy efficiency by means of its R&D infrastructure and technology. The Company designs products with higher energy efficiency levels than A and A+ in many product groups.

Producing environment-friendly products have always been Arçelik's main target...

Arçelik believes that energy saving is a serious issue, which attracts more and more importance together with the global warming, and that consumers should be informed about these products. The company attaches the necessary significance to the development of less energy consuming products, the protection of the environment and the natural resources.

- > "The award for the refrigerator with the highest energy efficiency in Europe" in 2001 with Orbital refrigerator (equivalent to the use of 38W light bulbs).
- > "Energy Plus Award" of the European Union in the most efficient refrigerator category in 2004 with the Blomberg refrigerator (equivalent to the use of 16W light bulbs).
- > In 2005-2006, our Refrigerator Plant was rated the top in European Awards for the Environment in Product Category. Our Dishwasher Plant was awarded the second prize in the same competition.
- > Dishwasher “Ecologist” is the holder of the record of dishwasher providing highest performance with the lowest amount of water with a consumption of 9 lt. If we could replace approximately 4 million dishwashers used in households in Turkey with “Ecologist” dishwashers today, we would recover 80% of the annual power production of Sarıyar Dam each year.

Environment-Friendly Products in 2007

We seek to achieve continuous improvement in our environmental performance by producing energy and water efficient products.

Arçelik produces the world's most energy efficient dishwasher with the lowest water consumption and the world's quickest washing machine with the highest energy efficiency.

Refrigerator

Arçelik produces awarded refrigerators with the lowest energy efficiency index. The Company reduced the energy efficiency index of its refrigerators to the 19.81% whereas a standard "A" class refrigerator has an energy efficiency index of 42-55%.

To meet the increasing demands of our customers in both the domestic and international markets, the Company's engineers at the Eskişehir Plant have designed new and large frost-free, double door refrigerator with stored water dispenser. With its highly energy efficient "A" class performance, it is an excellent addition to our growing product range.

Thanks to its cooling system design, freezing and cooling compartments work separately, thereby preventing odors and maximizing preservation of different products. All the materials used in the products are in compliance with RoHS standards, which prevent the use of hazardous substances. The environment-friendly R600 gas used in the cooling system does not harm the ozone layer. The "A" class energy performance, which utilizes 1.63 kWh energy, minimizes energy consumption with its improved cooling system, simultaneously preserving various foods longer and providing more freshness.



A plus



Washing machine

The state-of-the-art 8124 SJS model washing machine features Super Mini 14-minute, Express 30-minute and Express 58-minute cycles. Its special technology enabled this model to win the coveted title of the "world's quickest washing machine". Its maximum 8-kilos capacity and wide range of program settings provide huge savings in both time and energy. The machine's special "Jet System," which soaks the laundry quickly and immediately sprays water and detergent, guarantees the highest washing performance, taking the task of clothes washing to a joyfully higher level.

This new product offers a bright digital LCD display screen showing the program selected, the current stage of the wash and the time remaining until the end of the program. It also has a feature allowing the machine to be programmed up to 24 hours in advance, with an automatic start, providing consumers a wide range of options.

Thanks to its 1.36 kWh energy consumption, which is classified as "A+" class, this machine saves 10% more energy compared to other "A" class products.

Tumble dryer

Arçelik aims to make tumble dryers as popular in Turkey as they are in Europe. In 2004, the Company broke new ground and launched the first domestic dryer. As of the last quarter of 2007, Tumble Dryer Plant began operations in Çerkezköy with a production capacity of 400.000 per annum.

This unique dryer with heat pump technology is one of the most efficient dryers in the world. By maintaining relatively low temperature and with an advanced drum movement heat pump dryer offers a unique wool program. The dryer's unique sensor drying wool program will allow the customers to dry up to 1.5 kg wool garments in one cycle. Even in the wool cycle, it continues drying up to the desired level and eliminates a second drying action. The dryer has 14 programs and its digital display allows for the monitoring of the cycle time and the time left for completion.

Thanks to a heat pump technology that enables drying without a heater, this machine consumes 2.00 kWh of energy for 6 kilos of laundry and 2.25 kWh for 7 kilos and provides 40% in energy savings compared to conventional dryers, which also means 30% less energy consumption compared to "A" Class. Such low energy consumption also means extra care for the environment.

This tumble dryer won the "Eco Top Ten" award at the Germany Eco Institute in 2005. Along with this honor, the Company's heat pump dryers were chosen as the lowest energy consuming machines in European markets. Also in 2005, this dryer won the 'Plus X Award' at the Innovation category. Thanks to its unique features and energy efficiency, the heat pump dryer was also chosen as one of the "Best Buys" in Germany and Belgium by Stiftung Warentest and Test Achats, both in 2006.



Dishwasher

Arçelik is especially proud of having introduced the first and only dishwasher that cleans dishes with one single push button: TechTouch (Arçelik) and SmarTouch (Blomberg). The One-touch dishwasher is a revolution in the dishwashing industry aiming to make life a little easier for the consumers. The customers no longer have to think about program selection because with this dishwasher, all our customers have to do is to press the button and go!

The one-touch dishwasher washes dishes in AAA performance, at water temperatures between 40°C to 70°C, from 62 to 127 minutes. By means of 11 different sensors, it applies the best available wash program based on the amount and dirtiness of the dishes all with the touch of a single button, and delivers perfect cleaning results with the most efficient use of water and energy, so the consumers do not have to worry about which program to choose.

The one-touch dishwasher serves the consumers every need and comfort with its "smart" technology, high performance, unique design and environment friendliness. The dishwasher functions by simply loading the dishes and touching a single button. Its variable motor cycle technology enables the machine to wash the heavily soiled cookware in the lower rack with high pressure, while using low pressure to protect the glassware placed above. Its special AAA performance, the first of its kind in the world, determines the minimum amount of water and energy needed to wash dishes in the best way. Without a doubt, the resulting savings in both water and energy consumption make this a most environment-friendly product.

Built-in oven

In order to meet the high demand in the rapidly growing built-in market, multi-functional and high-tech electronic ovens are designed by Arçelik A.Ş.'s Industrial Design Engineers, and produced at the Bolu Cooking Appliances Plant. Arçelik built-in ovens feature a special Inox coating, which allows for easy cleaning with merely a small piece of dry material, making the removal of spots like stains and fingerprints a simple task.

Moreover, this high-tech cooker boasts a range of special features making it extremely easy to use. This 55-liter, multi-functional product comes equipped with a "Cooking Guide" offering the most suitable cooking settings for 36 meals, an electronic temperature control in 1°C increments, a step-cooking function, a multi-language programmer, automatic displays and a cooking progress monitor. The control panel allows the user to cook each meal at optimum temperatures and settings.

With its "A" class energy performance, this environment-friendly product consumes only 0.79 kWh in the fan-cooking mode.





Television

In 2007, production began on environment-friendly televisions with 15" and 19" screen sizes. These new TVs, which are 80% made from recyclable materials save 65% energy on the stand-by mode and 50% on the running mode, are a result of our sensitivity to the nature. Although initially designed for small screen televisions, this technology will be augmented to larger screen TVs in 2008. For 2008, the Company has obtained the right to join the Sustainable Energy Europe Commission with its 15" and 19" size screen Grundig brand televisions designed with the same concept.

First in the world : Zero Energy Consumption TV in Standby Mode

In 2007, Arçelik A.Ş. put its mark in another first and started to produce televisions with zero energy consumption in standby mode. The standby energy consumption, which is 2 Watts in average in standard LCD televisions, is decreased to zero to provide energy saving while this contributes in the consumers' budget and also the country economy. The zero standby technology is considered among the environment-friendly products with its sensitivity in using the environment, and natural resources.



Air-conditioner

As the latest trend like in all other sectors with the upcoming energy saving, environment-friendly products, A-energy class products are presented to customers in the air-conditioning product range as well. A-energy class air conditioners produced by Arçelik contributes to the economy and household with the advantages they have as compared to the D and C-energy class products.

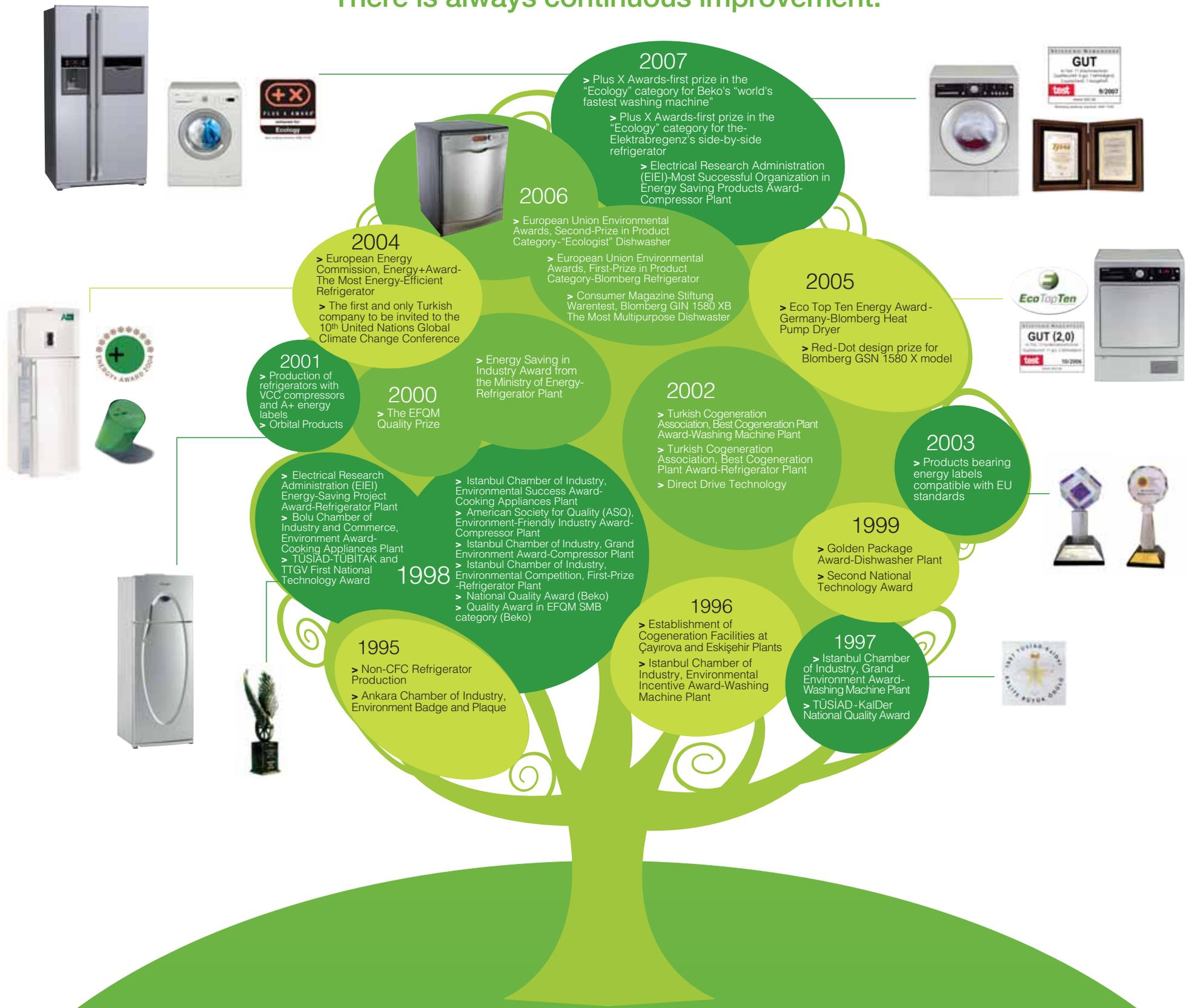
Arçelik, which has been one of the first companies to present A-energy class air conditioners to its consumers, is keeping its leader position in the Turkish air conditioner market with its brands. While satisfying the consumers' needs Arçelik creates difference in the sector with the neo-plasma air refreshing system it developed and with the A-energy and improved heating performance products, having inverter technology.

Compressor

Arçelik Compressor Plant started the production of new generation, energy efficient MTS model hermetic compressors in 2007 with an annual capacity of 1.5 million pieces. These compressors are developed especially for energy efficiency, resulting in 13% less electric consumption on refrigerators. Furthermore the raw material used (aluminum, iron, sheet metal, plastics, mineral oil, etc.) in this type of compressor is reduced by 14%, hence the total weight of the compressor is reduced from 9.7 kg to 8.5 kg. Using 1.5 million MTS model compressors on refrigerators, approximately 70GWh energy and 1.800 tons of raw material will be saved each year. These compressors are designed for "ozone friendly" R600a refrigerant gas, minimizing greenhouse effect. This new type of compressor is awarded with "Energy Efficient Product" prize by The Energy and Natural Sources Ministry of Turkish Government.



For Arçelik there is no end to the continuous strive for excellence.
There is always continuous improvement.



Arçelik's commitment to excellence via its Total Quality philosophy has increased the Company's sense of responsibility to the community in general and its customers in particular, who have simultaneously raised their expectations. Evidence of Arçelik's passion for excellence is seen in the numerous awards it has garnered over the years.

Total Quality Concept

We review our Quality, Environmental, Health and Safety Management Systems and business processes starting with the suppliers and ending at the customers by conducting a self-assessment program in accordance with the EFQM European Foundation for Quality Management (EFQM) Excellence Model.

In order to achieve company-wide objectives and sustain continuous growth in the target markets, we work as a team based on the total quality philosophy. We prepare and monitor Quality, Environmental, Health and Safety activities with strategic five-year quality plan.

Six Sigma

Arçelik has adopted the Six Sigma in order to improve its processes and make them more transparent and manageable, to create a decision-making mechanism based on facts and to develop a platform for continuous growth in profitability. Beyond this, the Six Sigma approach also helps the Company to harmonize its organizational and process objectives, build customer-focus and develop a common language.

The main goal of Six Sigma applications is to achieve excellence in lean and simple products and processes. Arçelik started its first Six Sigma projects in 1998 in its production and technology processes. Today, the Quality Systems and Six Sigma Department coordinates the Six Sigma activities of the Company in production and non-production processes. The Six Sigma projects are determined and conducted by Six Sigma leaders. The Company organizes regular training courses for the expansion and continuity of the Six Sigma.

Total productive maintenance (TPM)

The Company implements the "Total Productive Maintenance" (TPM) system, which is based on teamwork at all levels, units and functions from senior management to the lower ranks. TPM ensures the effective use of resources by eliminating all factors that have a direct or indirect negative impact on efficiency.

TPM awards

- 2002** Total Productive Maintenance, TPM Excellence Award - Washing Machine Plant
- 2004** Total Productive Maintenance, TPM Excellence Award - Refrigerator Plant
Total Productive Maintenance, TPM Continuous Excellence Award - Washing Machine Plant
- 2005** Total Productive Maintenance, TPM Excellence Award - Dishwasher Plant
Total Productive Maintenance, TPM Excellence Award - Electric Motors Plant
- 2006** Total Productive Maintenance, TPM Continuous Excellence Award - Refrigerator Plant
Total Productive Maintenance, TPM Excellence Award - Arctic Cooling Appliances Plant

Self-assessment

Arçelik, winner of the EFQM Excellence Award and the Turkish Quality Association's (KalDer) Grand Award, has adopted a self-assessment method since 1993 to identify its strengths and improvement opportunities. The Company's self-assessment methodology is based on the EFQM Excellence Model and the process starts with an annual on-line survey. Following this, the Company's top management team, including the managers of all departments, organizes workshops to assess the Company and its functions according to the nine criteria of the EFQM Excellence Model, namely leadership, policy and strategy, people, partnerships and resources, processes, people results, customer results, society results and key performance results. Results of the survey are used to develop department-specific improvement plans. The final step involves an overall evaluation of the results by the Quality Systems and Six Sigma Department and the preparation of a report, which is later utilized for the strategic planning cycle of the Company.

Quality Policy

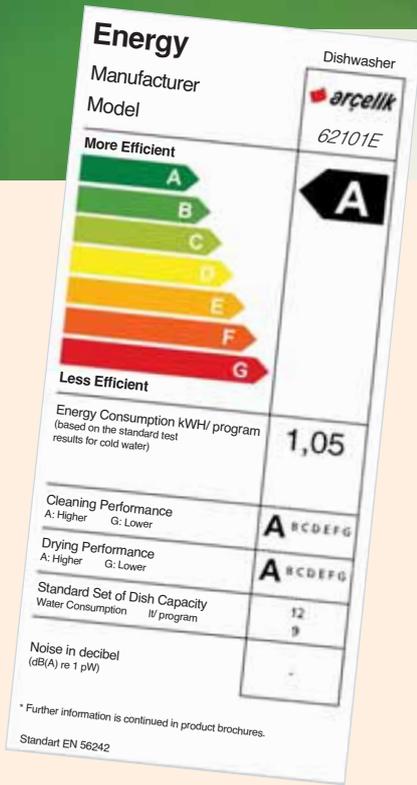
In the line of Arçelik's mission for the future; we develop and manufacture affordable, easy-to-use, reliable consumer products and deliver after sales service by implementing state-of-the-art technologies to satisfy our customer needs beyond their expectations.

We perform our activities to

- > document, certificate and continuously improve our Quality Management System to comply with the ISO 9001 standard requirements,
- > attain organizational and departmental targets with team work concept, taking Total Quality Philosophy into account,
- > review our work processes by conducting a self assessment program and define proactive activities to improve our overall performance,
- > enhance productivity of all our processes to a level of international competition in direction of continuous improvement approach,
- > encourage innovative and creative approaches, and conduct trainings to increase technical and behavioral competencies

accompanying the Environmental, Health and Safety Management Systems and we strive to set a model in durable goods sector with regard to quality efforts.





Raising Public Awareness on Environment

Green communication and advertising

In addition to developing efficient products, Arçelik's support of activities, which raise public awareness about environmental issues are the proof of the Company's determination to produce and launch environment-friendly products in the future, as well.

The importance the Company attaches to the protection of environment and production of energy efficient products, is also emphasized in all its communication activities to raise wider public awareness such as in its public messages, organizations, sponsorships and so forth. Thus, the Company undertakes a role model for the society.

Arçelik A.Ş. continues its efforts to arouse social consciousness towards water and energy savings through an advertising campaign launched in conjunction with a leading broadcasting corporation. In 2007, the Company sponsored programs such as "Before the World Diminishes" and "Global Realities," which informed consumers concerning important environmental issues like global warming and the measures people can take to make a difference in the world of today.

Arçelik aims to attract the attention of the public to the correct use of energy sources when advertising its energy efficient products.

- > All advertising communications are based on the theme of energy efficiency for the last 8 years.
- > "A" and "A+" energy classification in white goods is always mentioned in communications.

Green projects

"Don't waste your water" campaign

In 2007, believing that cooperation should create long term solutions, Arçelik A.Ş. initiated the "Don't waste your water" campaign sponsored by TEMA (The Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats) to which the Company has been a founding member since its establishment. The purpose of this campaign was to raise public attention on the water shortage plight and to encourage people to redouble their personal efforts to save water.

The "Don't waste your water" campaign resulted in as short period as three months, a savings of approximately 18 million tons of water, which is actually the amount exceeding the water supplied from the Elmalı Dam to İstanbul in a year. Consumers who are environmentally aware of the implications of water economics are able to save between 26 to 40 tons of water just by switching from washing by hand to the use of dishwashers.

*Arçelik's cooperation with TEMA on environment projects dates back to early 2000s:

10 billion oaks campaign: Arçelik A.Ş. sponsored a forest, which was named after the Arçelik and Beko brands and, which consisted of 250 hectares planted with 2.5 million oak acorns. The Company received the "Oak Crystal Award" for its contributions to the acorn planting campaign, which was started by the TEMA Foundation in cooperation with the Ministry of Forestry and, which become a national project.



"Don't waste your water" campaign

Increasing consumers' consciousness on water consumption, encouraging water saving and showing how important the individual efforts are in this issue. Through this campaign, consumers are offered with special discounts for 100.000 units dishwashers.



*TEMA (The Turkish Foundation for Combating Soil Erosion, for Reforestation and the Protection of Natural Habitats)

Support for initiatives promoting greater environmental responsibility, developing and diffusing environment-friendly technologies.

Erosion documentary: The “Erosion Documentary” sponsored by Arçelik A.Ş. was, as the first example of its kind, an important resource to inform Turkey about one of the most important problems of our country, to increase awareness about erosion and to take measures against it.

Our environment is clean: Arçelik organized a local communication project in October 2001 - March 2002 in order to enhance environmental awareness as part of its social responsibility program. The project that took place in Ankara, Eskişehir and Bolu was called “We are in your environment”.

“En-Ver” - Energy Efficiency Campaign

In an effort to produce and launch environment-friendly products, with energy and water efficiency, Arçelik A.Ş. supported the “En-Ver” (Energy Efficiency) project, a joint venture between the Turkish Government's Ministry of Energy and Natural Resources and Koç Group, perennial leaders in their sector. En-Ver project aims to change consumers' behaviors by raising public awareness in energy efficiency promoting more eco-friendly life style and thus saving energy.



Cooperation with public institutions

Arçelik A.Ş. sponsored the “EU 7th Framework Program Turkey Forum - 4” organized in cooperation with The Scientific and Technological Research Council of Turkey (TÜBİTAK), Foreign Economic Relations Board of Turkey (DEİK) and Turkish Research and Business Organizations (TURBO) on October 22nd, 2007 in Ankara. The Forum was organized for the 4th time this year to increase Turkey's success in the “EU 7th Framework Programme,” raise awareness, share experiences and create an environment for international R&D cooperation.



The advertisement expresses:

“Remember this ad when our water resources will become scarce in the future or do something now. We did so and we produced the world's most water efficient dishwasher, 62101 EI “Ecologist,” which saves 26 tons of water compared to wash by hand”.

The advertisement expresses:

“Environment-friendly washing machine from Beko with “European Plus X Ecology” Award. Beko D 7122 E washing machine was awarded the “European Plus X Ecology” Award. The washing machine “Beko D 7122 E” saves every drop of water just like the nature itself”.





Social Responsibilities

Our People

Human Resources Policy

Arçelik, while confidently taking steps to achieve its vision, is committed to continuing its successful performance through relying on its core value: "Our most important asset is our people". In this regard, the Company is guided by its shared values and code of business ethic, as well as its firm conviction that human resources policies are compatible with strategies that guarantee a promising future. Arçelik defined its human resources (HR) policies in 2006 and communicated these to its employees in Turkey and abroad, along with its shared values and business ethic codes published in several languages. The basic principles of these policies are as follows:

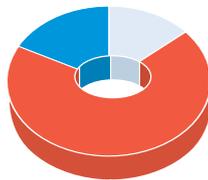
- > The Company's human resources systems and practices maintain the balance between the global and the local. As a company operating on a global basis, local legislations, practices and needs are respected. Should any HR policy and practices conflict with local legislation, local legislation prevails.
- > All HR policies are aligned with Arçelik's business strategies.
- > All HR processes and applications should support and respect the protection of internationally proclaimed human rights. This principle brings non-discrimination and equal employment opportunity philosophy into the organization. Arçelik does not discriminate on the basis of ethnic origin, race, nationality, disability, political views, religious beliefs, age, gender or sexual orientation.
- > Fairness, consistency and reliability are the basis of all HR applications.
- > Aiming at continuous improvement of HR standards, the Company systematically and periodically reviews them and revises HR processes regarding latest improvement and feedback provided.
- > The Company attitude is to protect personal information and to ensure the confidentiality of this information.

Composition

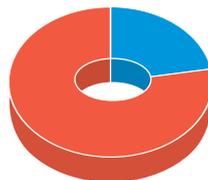
At 31st December 2007, Arçelik employees numbered 17.024, 3.917 of which comprised the personnel abroad.

Number of personnel (31 December 2007)

Turkey	
White collar	1.780
Blue collar	9.062
Subcontractor	2.265
Total	13.107



Subsidiaries abroad	
White collar	870
Blue collar	3.047
Total	3.917

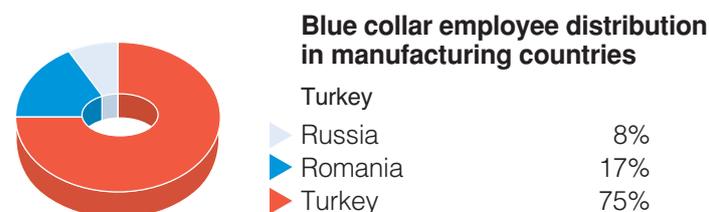
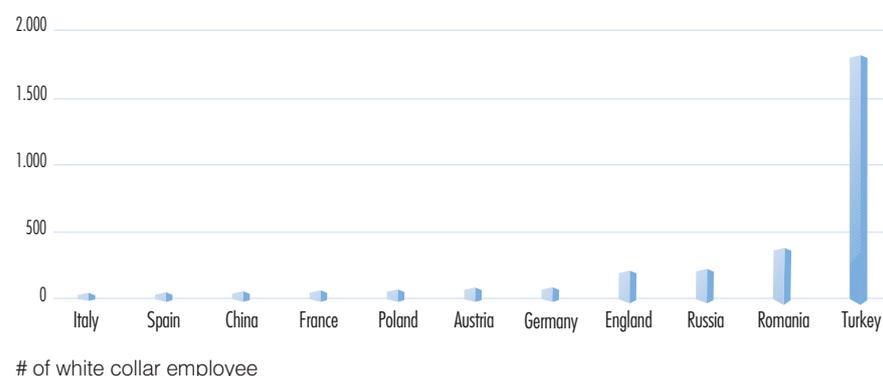


Total	17.024
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Arçelik, while confidently taking steps to achieve its vision, is committed to continuing its successful performance through relying on its core value: “Our most important asset is our people”.

White collar employee distribution by country



As of 31st December 2007, 90% of Arçelik’s white collar workers had done higher education. The Company employs an average of 200 new graduates from university per year in Turkey.

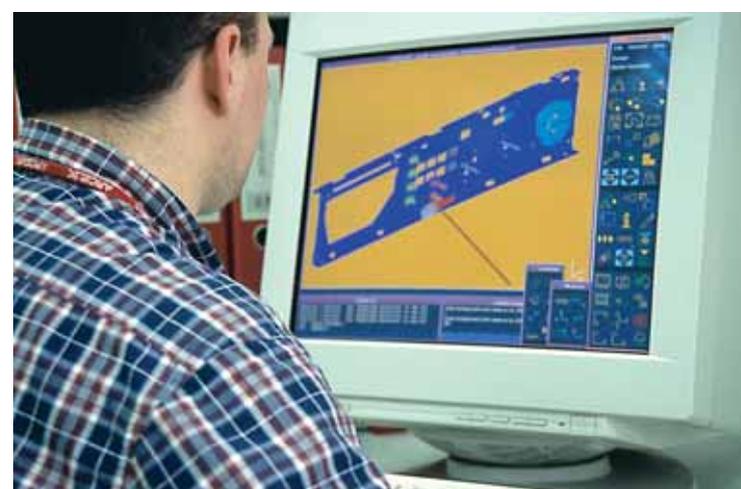
Under the Turkish Legislations, the Company and its Turkish subsidiaries and associates are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and reaches the retirement age.

	2007	2006
Provision for employment termination benefits in Turkey (TRY thousand).	56.155	52.852

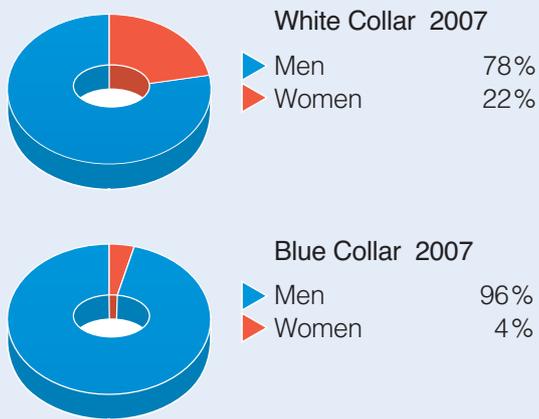
Average age and seniority

At 31st December 2007, the employee turnover in Arçelik by age and seniority indicates the average age around 33, and seniority of employees around 8 years, as can be seen in the following tables.

Turkey 2007	Average age	Average seniority
Blue Collar	30	6
White Collar	35	9



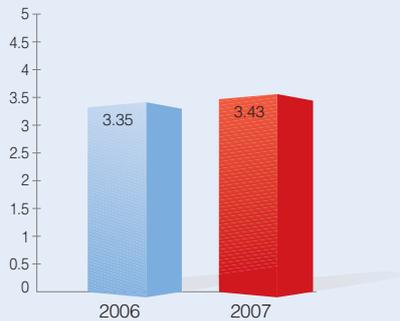
Personnel distribution by gender (%) - Turkey



Arçelik work life evaluation and improvement survey

Since 1995, “Arçelik Work Life Evaluation and Improvement Survey” has been carried out in Turkey and the results have been shared with all employees. It is also aimed to apply work life evaluation and improvement survey to our subsidiaries. The aim of this research is to reveal the general tendencies, to build on our strength and to define and prioritize the areas to be improved according to the feedbacks of the employees.

Satisfaction from working in the company



The result is calculated over 5,00. The figures include both white collar and blue collar employees in Turkey.

Labor/Management relations

All blue-collar employees, namely 84% of all employees, are covered by collective agreement in Turkey. 89% of all employees, who are member of three different trade unions in Romania, are also covered by collective agreements signed with each trade union.

Recruitment and selection

As Arçelik A.Ş., our aim is to establish a mutually beneficial employment opportunity between employee and the Company so that we can fulfill all our current and future business needs whilst also encouraging each individual employee to develop to his/her full potential.

To place the right people in the right positions and to build a long-term relationship with them, we use appropriate selection and recruitment methods. Our priority is to hire people whose values are aligned with our culture and values. Since we are operating on a global basis we place importance on some attributes such as flexibility, embracing diversity and continuous learning.

In the recruitment and selection process we provide equal opportunities for all candidates who have the appropriate training, knowledge, skills, competencies and experience required by the job. All candidates are assessed using defined recruitment procedures.

Career management

In Arçelik the career management process provides benefits to Company and to employees by using a “win-win” approach. We create opportunities to provide support for our employees' development. However, employees have the primary responsibility for their own career development. We expect all Arçelik employees to improve their competencies, continuously. The Company and managers have also the responsibility for identifying high potential people and then supporting their development for the next step in their career by using defined succession and career planning procedures.

Employees who are defined as high potential have priority at new assignments and promotions. In the decision-making process of promotions, transfers and rotations, the potential development, performance and career objectives of employees are considered. To give equal opportunities to all employees, equitable appraisal methods (such as performance management system, development centre, 360 degree appraisal system) are preferred to define potential of people by appraising their competencies.

Continuous learning and development

We are aware of the fact that one of the most important factors in realizing Arçelik's vision of becoming a leader in international markets is ensuring the continuous development of our employees who constantly review their jobs and seek better and newer methods.

Our training and development approach aims to reinforce the improvement of the Company and the individual performance through continuous development.

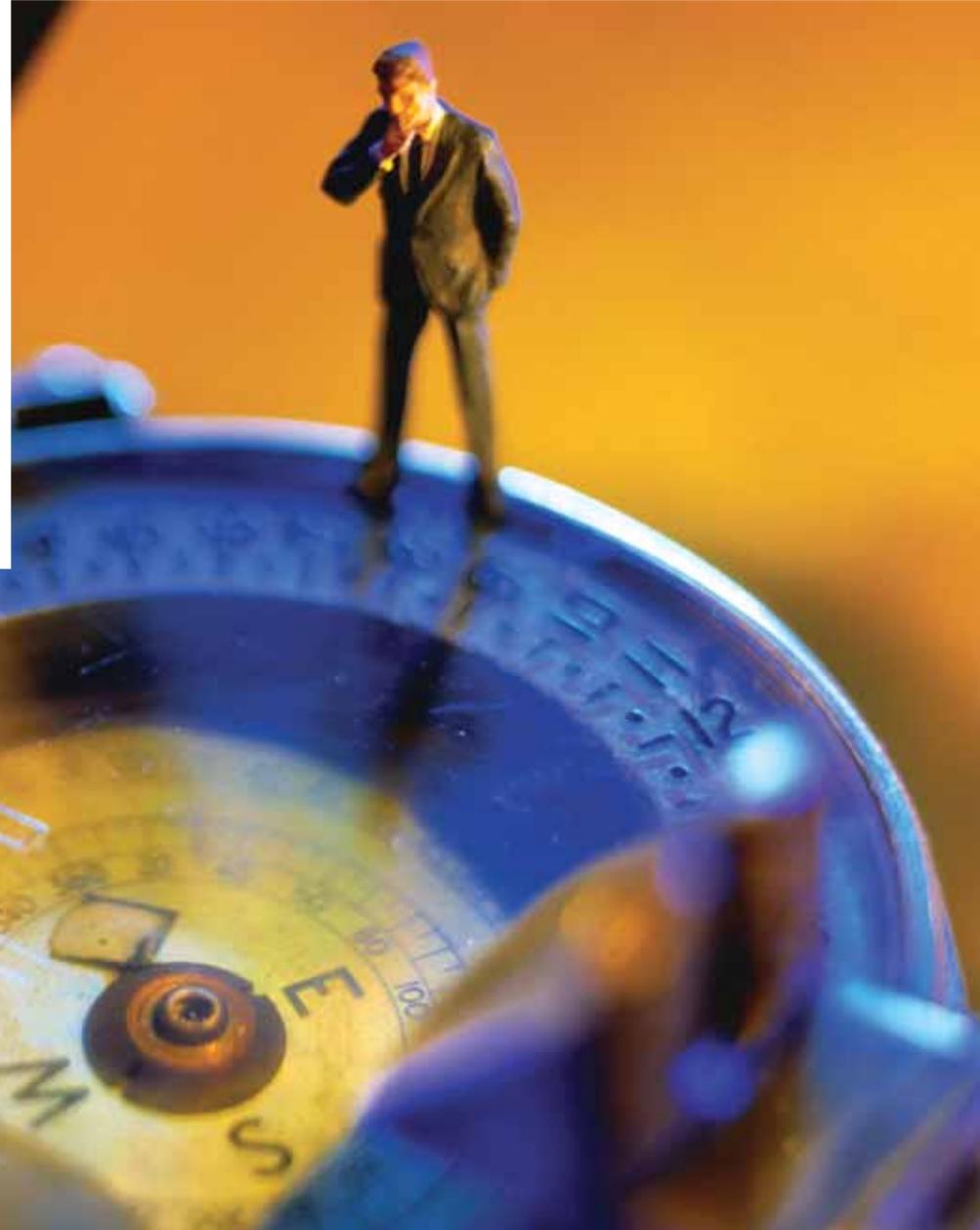
Training

The training and development programs are designed to make employees productive and to enhance the Company. The new employee's custom-made training starts with the "Orientation Program" aimed at facilitating his/her smooth and quick integration to the Company. The program will also guide our employee through the continuous learning process with developmental activities aiming at the performance of his/her capabilities. Our goal is to seize development opportunities together with him/her on the road to a good career.

All training and development activities should be coherent with Company strategies and objectives and also should cover work requirements, current and future individual needs. Organizational and individual training & development plans are prepared with effective participation of managers and employees.

There are various training programs, which support employees' career and skill development. For example, in Turkey the Company delivers leadership programs such as Executive MBA, "Leader and Change" and "Leader and Work" and functional training programs such as international brand management, strategic management and personal development.

In average per year; 30 hours and 15 hours training is given in Turkey for white collar and blue collar respectively. In the first quarter of the year, planning meetings are done for each employee in order to specify which competencies an employee wants to improve and which training programs can be planned for him/her. In these meetings, both employee's wishes and his/her manager's suggestions are taken into consideration.



Performance management

Arçelik believes that personal success is a must for organizational success. Keeping this in mind we use a performance management system to continuously develop our employees' performances in accordance with our goals. To provide alignment between Arçelik goals and personal objectives, the deployment process is "top-down" with "bottom-up" contribution to strategies.

We expect our employees to achieve their objectives. However the ways they achieve these targets are also important. Arçelik values, principles and our employees' competencies are the key factors in reaching their targets. The essence of the system is management by objectives and providing feedback systematically on performance and future potential as well as on any other relevant aspects concerning an employee's work.

By using periodic and systematic ways for performance management, we aim to provide mutual consensus of employee and manager during goal-setting, performance evaluation and constitution of development plans. Performance evaluations are taken into consideration for training & development, rewarding best performers and career management of employees in the course of their work.

During the individual development-planning period, personal improvement areas are identified and prioritized through appraisal processes such as performance management system. Employees are responsible for continuous self-development. They should follow all the latest improvements and utilize opportunities offered by our Company. All employees in Turkey, both white collars and blue collars, receive feedback regarding their performance every year. There are 360-degree competency and performance evaluation systems, which are applied every year for all white-collar employees.

Remuneration and incentive system

Our remuneration management approach aims to define individual salaries based on a fair and competitive Company salary policy. Our aim is to systematically distinguish employees according to their performance level and to motivate them by rewarding.

Arçelik establishes the salary policy based on job sizes defined by using internationally accepted and standard methods. Salary policy is set by considering the Company's current salaries, competition forces, market dynamics and the Company's strategies. Local remuneration market data is provided from expert survey companies.

For differentiating personal total earnings between similar jobs, employee performance can be used as an input. Our remuneration and social benefits conform at the very least to national or local statutory standards, provisions, or respective agreements. Information about salaries is confidential and it's a part of the Agreement between individual and the Company.



Inventions, suggestions and recognition

For the purpose of encouraging the desired conduct and behavior that will facilitate the fulfilment of Company goals, augmentation the sense of loyalty, motivation and efficiency or the adoption of better practices and applications, we assess and recognise any achievements, inventions and/or suggestions that will yield benefits and savings of a quantitative nature.

Regarding these issues, all Arçelik managers are expected to act in a constructive, supportive and proactive manner. All these concepts are supported with different sort of systems and with complete commitment from top management.

Seniority award ceremonies

Guided with our founder Vehbi Koç's saying "Our most important asset is our people," we organize seniority award ceremonies for our employees' long and successful work life. At the end of each year, our employees who contributed to our Company with their 10, 20, 25, 30 and 35 years of work are awarded with certificates of privilege.

Internal communication

Arçelik's internal communication is managed in an interactive and dynamic manner, by the Corporate Communications department in close coordination with the Human Resources department. The communication activities within the Company aim at increasing the motivation of employees, arousing a sense of belonging in all employees, enabling the employees to get involved in the business strategies of the Company and building a corporate identity while maintaining the corporate values.

Arçelik A.Ş. employs various channels of communication such as e-mails, newsletters, intranet, organizes events, campaigns and posts information bulletins to establish a healthy internal communication process, throughout the Company.

The Company launched a long lasting communication project for the internalization of its vision "To become one of the top 10 brands of the world in its sector until 2010 with Beko brand" with the slogan "Goal 2010 Top 10". The Corporate Communication Project, aimed to share the Company's vision, its strategic targets and values with the employees and thus procure integrity throughout Arçelik.

"Aydabir" is the internal communication magazine of Arçelik A.Ş. published every month in Turkish, English and German. The magazine, which covers all relevant data regarding the recent developments within the Company, is a very effective corporate communications tool enabling bilateral communication between the Company and its stakeholders (employees, consumers, suppliers, authorized dealers and services and such). Since 2001, the magazine has been published online.



Arçelik rewarded 192 of its successful engineers for designing and producing innovative new technologies and product, on the occasion of its own 9th Annual "Invention Day".



Occupational Health and Safety

Occupational Health and Safety Policy

Arçelik and its employees comply with all applicable national and international occupational health and safety laws and regulations and create a safe and healthy working environment in line with occupational health and safety management system based on continuous improvement.

We perform our activities to

- > analyze and decrease the occupational health and safety risks arising in the working environment
- > conduct training activities in order to develop and increase the awareness in occupational health and safety issues
- > take measures to achieve a zero work accident rate and a zero occupational disease rate and increase productivity

accompanying with the Quality and Environmental Management Systems and we strive to set a model in durable goods sector with regard to occupational health and safety efforts.

Our Company is determined to do its utmost to ensure that all relevant national standards for health and safety in order to generate a hygienic, ergonomic and safe environment are met and its employees' and visitors' health and safety in the workplace are protected.

Maintaining a safe working environment requires the continuous cooperation of all our employees. Our employees must take all essential precautions to safeguard their own health and safety and that of any other person who may be affected by their activities at work. Arçelik continuously provides guidance about health and safety issues to all employees and they are strongly encouraged to communicate with each other and their supervisors regarding any health and safety issues.

Employee training courses held by Arçelik A.Ş. demonstrate the Company's commitment to occupational health and safety. In 2007, the total training time amounted to 11.725 hours.

Arçelik A.Ş. has recently initiated the "Occupational Health and Safety Improvement Project" by the team of safety experts and doctors at its plants.

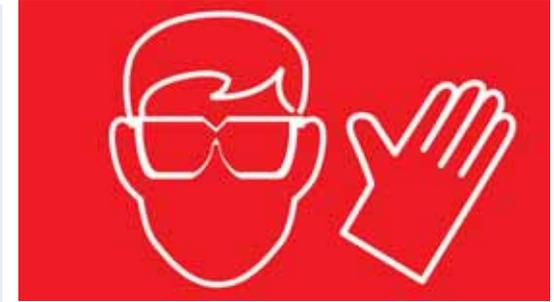
The purposes of the project are as follows:

- > Reviewing and revising (if needed) Occupational Health and Safety Processes
- > Preventing the work related accidents

Health and safety indicators

Currently, the percentage of overall injury rates in Arçelik A.Ş. is being monitored in line with the Performance Management System and according to set targets.

- > Occupational Safety and Health Training Hours
- > Accident Frequency Rate
- > Accident Severity Rate
- > Lost working days due to injuries and illnesses



Health and safety indicators	2006	2007	%Change
Number of Accidents (Total)	543	459	-15,47
Accident Frequency Rate	26,07	20,92	-19,75

In line with our industrial relations policy we regard the trade union as our social stakeholder and we work together for better working conditions.

Industrial relations

Arçelik A.Ş. approaches industrial relations from the perspective of “our most important asset is our people” and operates accordingly. The right to organize and join union is respected.

Our Company devotes great care in protecting the peaceful atmosphere in workplace in the framework of mutual trust between employees and the unions, respecting and acting in conformity with the rules of legislations and collective agreements. The local conditions, traditions and practices prevalent in the regions and countries in which our Company operates are taken into consideration in order to maintain the peaceful workplace atmosphere, even though they are not covered by agreements.

In line with our industrial relations policy, the trade unions are regarded as our social stakeholder rather than the other party. Therefore, the Company always attaches great importance to maintain good relations and act together with the trade unions. It is a significant target for our Company that our social stakeholders have better working conditions. In this context, apart from conformity to laws, better working conditions, occupational health and safety and other social benefits such as birth, marriage and meal support are also included in collective agreements and the applications are tracked with utmost care.

Freedom of association and collective bargaining

Industrial relations with employees covered by a collective agreement are managed through workplace representatives. The objective is to ensure cooperation between the employer and employees, as well as to maintain a harmonious and peaceful working environment and help solve problems according to applicable legislation and the collective agreement.

Relationships with employees working under Collective Agreements are conducted with union representatives. As an employer in Turkey, Arçelik is a member of MESS (Turkish Metal Industrialists' Union), while its blue-collar workers are registered with the Turkish Metal Union. In October of 2006, MESS and the Turkish Metal Union signed a collective agreement, which is systematically renewed every two years, for the period covering September 1, 2006 to August 31, 2008. The collective agreements that are effective for the period covering January 1, 2006 to December 31, 2008 in Romania are also renewed every two years. Arçelik consults with and obtains the consent of the Labor Union with regard to changes in working conditions, the working environment and the rights of workers.



For the Community

Our role in society

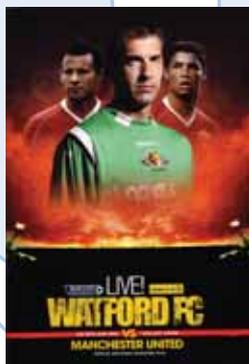
Developing and implementing projects to improve social standards and find solutions for sustainable development is part of Arçelik's core responsibilities. Since its foundation, the Company has been committed to undertake these responsibilities in light of its corporate values and culture, which constitute the basis of the Company's corporate social responsibility approach.

NGOs (non-governmental organizations) are indispensable partners of Arçelik in realizing social responsibility projects. Accordingly, the Company acknowledges their significant position in society and is willing to take joint action for their further improvement. The Company also develops relations with public institutions in the local regions in which it operates, with a view to improving the bilateral cooperation in line with its corporate principles and values.

Great Britain

- > Beko - Watford land club sponsorship

BEKO



Arçelik operates in Turkey, Romania, China and Russia with 12 production plants, and 12 international sales and marketing companies scattered from Europe to Far East.

Apart from contributing in economies of all the countries in which it operates by creating employment, growth and added value, Arçelik also assumes a pioneering position in social and environmental matters in order to maintain sustainability, since its foundation.

Romania

- > The "Believe in U" program



Georgia

- > Beko - Dinamo Tbilisi sponsorship

BEKO

Serbia

- > Beko - Davis Cup sponsorship

BEKO



Turkey

- > Beko - Turkish Basketball League sponsorship
- > The "Standing United for Education with Arçelik" program
- > "The genius of Leonardo" exhibition
- > Generous support for Koç Group's "For my country" and "Vacational High Schools: Issues of the Country" projects



arçelik

The Arçelik family and volunteerism

Arçelik believes that the key to solving social problems is “people,” and the voluntary efforts of sensitive people result in long-lasting solutions to difficult situations. Together with its employees, authorized dealers, suppliers and business partners, Arçelik is a large family and its synergy enables the Company's volunteer efforts across the country to find capable solutions to complex social concerns.

The Arçelik family, embracing its core values and principles, uses its time, expertise and energy for activities that add value to the community. Set up by Arçelik employees all around the world within the framework of social responsibility, “Arçelik Volunteer Teams” support the various corporate social responsibility programs with voluntary activities.

Community involvement projects

Standing United for Education with Arçelik

Arçelik believes that raising society's awareness in educational issues is a prerequisite to the nation's proper development. Education is a tool that solves many social problems in a proactive manner and contributes to the rational utilization of national resources.

Knowing that self-development must be supported in the early stages of childhood, the Company started the “Standing United for Education with Arçelik” program in 2004. Conducted jointly with the Ministry of Education, this program targets primary school students. With this program, the Company aims to improve the education and development standards of children who come from disadvantaged families and study at regional primary boarding schools, as well as to ensure that these children become valuable members of society. Focused on the personal development of students, the program consists of five projects: “Our Rooms,” “They Were Once Children,” “Support and Education for Teachers,” the “Arçelik Education Scholarship” and the “Volunteer Family Association”.

This educational development initiative aims to contribute towards helping to properly raise the 200.000 children studying at almost 300 regional primary boarding schools to become Turkey's modern and self-confident next generation. As such, the Company cooperates with NGOs to raise social awareness and reach wider masses. The Vehbi Koç Foundation, The Educational Volunteers Foundation of Turkey, Mother Child Education Foundation and The Private Sector Volunteers Foundation are the NGOs involved and contributed to the implementation of the program.

Provinces covered by the program:

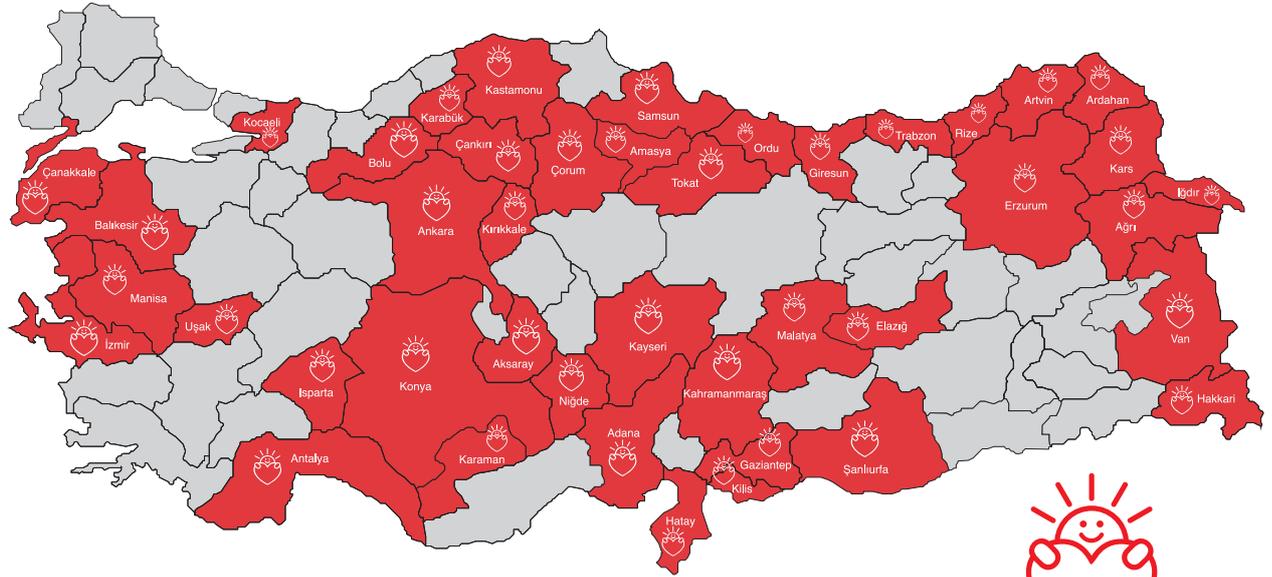
The Program was launched in the pilot provinces of Van, Hakkari, Iğdır in the 2004. Erzurum and Ordu subsequently followed. In 2005, Gaziantep, Kars, Rize, Çankırı, Balıkesir and in 2006, Çanakkale, Kocaeli, Bolu, Konya, Karaman, Aksaray, Kahramanmaraş, Kayseri, Adana, Trabzon, Şanlıurfa, Hatay, Giresun, Kilis provinces were added. Finally in 2007, Ağrı, Artvin, Ardahan, Kastamonu, Malatya, Elazığ provinces were included.

2006-2007 Academic year:

- > Total number of schools included in the program: 142 schools in 30 provinces
- > Total number of students included in the program: 115,000 students

Target for the 2007-2008 academic year

- > In 2008, by including Amasya, Ankara, Antalya, Çorum, Isparta, İzmir, Kırıkkale, Karabük, Manisa, Niğde, Samsun, Tokat and Uşak, the Program aims to reach 37 regional primary boarding schools in 13 provinces as well as 179 regional primary boarding schools in 43 provinces all over Turkey.



Arçelik, a large family with its employees, authorized dealers and services and suppliers, contributes to the development of the society.

Arçelik A.Ş. employees and authorized dealers serve as “Vocational High School Coaches”

To contribute to the employment of the educated work force in the industrial and service sectors, as well as help form the young population of Turkey into a qualified work force, the “Vocational High Schools: Issues of the Country” social responsibility project was initiated by Koç Group in 2006. It was warmly embraced and supported by Arçelik's employees and authorized dealers in 2007.

The project, which offers scholarships to vocational high school students during their formative years, utilizes Arçelik employees as coaches to provide a hands-on approach in guiding the students and following up on them to ensure their positive development.

Choosing voluntarily to work all over Turkey to encourage the students in their education, Arçelik employees and the authorized dealers got involved in the project, received initial training as coaches for the vocational high school students. These vocational high school coaches will be in constant communication with the students and will meet up with them to share their knowledge and experience. In 2007, the coaches began working with 273 students on scholarship at 24 different schools in 21 cities.

Arçelik A.Ş. works for “For My Country” project

Together with “For My Country” project Arçelik employees and authorized dealers are continuously spreading social responsibility awareness to every corner of Turkey.

In the cities where Arçelik has plants and facilities, its staff members are involved in numerous activities in the regional primary boarding schools, which are a part of the “Standing United for Education with Arçelik” program of the annual “For My Country” week.

Arçelik A.Ş., besides its participation in essential educational activities, affirms that one of our fundamental responsibilities is to protect our national resources and environment and to do everything possible to raise the attention of the community in which we live to the importance of these issues. Towards this end, and emboldened by the conviction that working collectively is the only way to save our world from ecological destruction, Arçelik A.Ş. employees come together during the last week of May every year to work with the Turkish Maritime Environmental Protection Agency (Turmepe) in its annual environmental awareness campaign known as the “For My Country” project.

Arçelik's activities in this endeavor, under the theme of “Let's do something to save our environment before it's too late,” was awarded by Koç Group in 2007 as the year's most successful social responsibility effort.

Within the scope of the “For My Country” project, Arçelik's authorized dealers accomplished many wide ranging projects in 2007 to help address important issues and needs within the community. In this scope, these volunteers renovated the gardens of the Children's School for the Mentally Handicapped, constructed “Medical Diagnoses and Treatment Centers” in State hospitals, restored day care centers and nurseries and donated hearing aids for children with hearing disabilities.



ülkem için!

Meslek Lisesi
Memleket Meselesi

Koç





Volunteering activities in 2007

- > March 12, 2007-The Volunteer Team from the Ankara Dishwasher Plant took students from the Primary Boarding School of Bala, Ankara to visit "The Genius of Leonardo" exhibition.
- > April 23, 2007-The Bala Regional Primary Boarding School students visited the Ankara Dishwasher Plant.
- > April 23, 2007-The Volunteer Team from the Bolu Cooking Appliances Plant organized a painting competition on the occasion of the annual National Sovereignty and Children's Day at the Mudurnu Regional Primary Boarding School.
- > April 26, 2007-The Volunteer Team from the "After Sales Services and Logistics Directorate organized a competition of poetry and painting at the Erzurum, Ilıca Yavuz Selim Regional Primary Boarding School as an extension of the April 23rd annual National Sovereignty and Children's Day festivities.
- > April and May-Volunteers from Arçelik A.Ş.'s Sales Departments visited 101 regional primary boarding schools to have more information concerning the recently completed "Our Rooms" project from the management of the schools.
- > May 01-16, 2007-All the painting equipment and stationery gathered by the campaigns organized at Arçelik A.Ş. plants and facilities was distributed to regional boarding schools in the provinces of Van, Balıkesir and Kocaeli.
- > May 11, 2007-The 7th and 8th grade students from the Bolu Mudurnu Regional Primary Boarding School visited the Cooking Appliances Plant.
- > May 18, 2007-A painting, poetry and composition competition under the theme of "My Dream Job" was organized and volunteer teams from the Cooking Appliances Plant and the campus of Sütlüce visited the Bolu Mudurnu Regional Primary Boarding School and distributed awards.
- > May 25, 2007-The Bolu Cooking Appliances Plant Volunteer Team listened to the concert of The Choir and Mandolin Team of the Bolu Mudurnu Regional Primary Boarding School.
- > May 26, 2007-The Volunteer Team from the Çayırova Washing Machine Plant renovated the water heating system of the Akmeşe Regional Primary Boarding School in Kocaeli.
- > May 29, 2007-The Volunteer Team from the Çayırova Washing Machine Plant organized a seminar on the topic of "Water and Hygiene" during their visit to the Akmeşe Regional Primary Boarding School in Kocaeli.
- > May 30, 2007-The Volunteer Team from the Ankara Dishwasher Plant visited a festival at the Bala Regional Primary Boarding School and distributed small household appliances to the students as gifts.
- > May 30, 2007-The Volunteer Team from the Bolu Cooking Appliances Plant visited the Bolu Kıbrısçık Regional Primary Boarding School and donated equipment for their sports and folklore teams.
- > May 30, 2007, the Volunteer Team from the Eskişehir Refrigerator and Compressor Plant organized a painting competition on "Global Warming" to attract the attention of the students of Erdal Abacı Regional Primary Boarding School.
- > June 30, 2007-The "Our Rooms" project was completed at the Ağrı Regional Primary Boarding Schools.
- > July 30, 2007-The "Our Rooms" project was completed at the Kastamonu, Artvin and Ardahan Regional Primary Boarding Schools.
- > September, 2007-The "Our Rooms" project was completed at the Elazığ and Malatya Regional Primary Boarding Schools.
- > October 15-November 15, 2007-More than 700 students in Van, Elazığ, Malatya, Kahramanmaraş, Konya and Izmit region watched the "Sizinkiler Dünya Kaç Bucak" children's play sponsored by Koç Group.
- > October 5-November 14, 2007-The measurement and evaluation work for the "Standing United for Education with Arçelik" project took place at seven regional primary boarding schools in the provinces of Kocaeli, Balıkesir, Bolu, Van and Erzurum, with a total participation of 2.062 students, 131 teachers and 23 managers.
- > November 20, 2007-Arçelik scholarships granted to eligible students.



We are Responsive to the Community

The “Believe in U” corporate social responsibility project by Arctic

Arctic, the leader of the Romanian home appliances market, launched in 2007, the “Believe in U” communication campaign, which encourages the young people to have initiative and to believe in their power of achieving their dreams.

The “Believe in U” program of seminars for students, which took place in several universities of Bucharest and Targoviste; was meant to offer practical advice to students in order to help them start a successful career.

The “Believe in U” seminars were based on a research study realized on a 300 youngsters sample. Each “Believe in U” seminar was structured in four parts: the CV, the letter of intention, the interview and the career management, while the time dedicated to each was established by the questions received from the participants. At the end of each seminar, all students received a career guide and an interview mini-guide, with relevant information regarding the first steps in the career.

The “Believe in U” program is a part of the corporate social responsibility programs developed by Arctic along the years, which were oriented towards different areas such as health, education, social issues and environmental protection. Among these projects are: founding an internet school in Gaesti, equipped with modern computers; sponsoring hospitals with home appliances products, sponsoring charitable events organized by NGOs for fund raising purposes. In the summer of 2005, Arctic also supported families affected by floods, offering them products worth EUR 30.000.

Donations

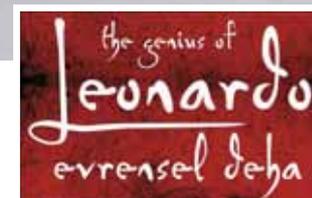
Arçelik made product and cash donations to several public and government organizations, non profit organizations, health institutions, universities, schools and alike, which amounted over TRY 10 billion in 2007.

Sponsorships

Arçelik A.Ş. has always sought to use its creativity and technology to develop products that exceed the expectations of customers. This commitment to excellence is also reflected in its Company-sponsored social responsibility projects, which endeavor to integrate the values of creativity and technology.

Culture and arts

In keeping with its social philosophy, Arçelik supported the transfer of the world famous “The Genius of Leonardo” exhibition, which featured interactive reproductions of the great master's inventions, from Istanbul to Ankara's Middle East Technical University for its February 24 to March 24, 2007 exhibition. The exhibition primarily consisted of life-size, interactive replicas of 40 unique and functional machines, designed and built by expert historians and engineers based on the inventor's original drawings. Approximately 114.000 people visited the exhibition in Istanbul during its two-month stint in the city while more than 60.000 attended the one-month show in the nation's capital of Ankara.





Sports

Arçelik, in addition to its support for education, culture and arts, believes that supporting sports is also an important contribution to the development of Turkey and future generations. The Company has supported various sports activities for many years in Turkey in order to promote and make them more popular.

Beko sponsors the Turkey Basketball League for 4 years

This commitment of Arçelik in the development of the country led the Company to decide in 2006 to undertake the sponsorship of the Turkish Basketball League for four years through its young, innovative and dynamic Beko brand. Arçelik believes that this long-term cooperation between the Basketball Federation and Beko brand will contribute greatly to the development of young athletes, as well as to the Basketball League itself, which is a good training ground for basketball stars representing Turkey abroad, especially in the NBA.

Arçelik A.Ş., in order to encourage the speedy training of sportsmen in Turkey and to introduce basketball to the younger generation, is hosting the "All Star" activities organized every year and also lends support to the "The Player of The Year" who is elected by basketball fans and coaches.

Beko is the proud sponsor of Watford land club

Beko signed in May of 2007, a two year deal with Watford Football Club, the biggest sponsorship deal in the club's history, that names local firm Beko plc as official club sponsors. The largest refrigeration brand in the UK, Beko plc is located in Watford, with the responsibility for all sales, marketing distribution and product support activities for the UK and Ireland. Beko, with its strong community links and desire to enhance its support within the local community through corporate social responsibility projects, takes huge pride in being the official club sponsor to Watford and to what will be a long, happy and successful relationship.

Beko brand continues its support on sports also in Serbia

Beko brand, which turned supporting sports and the sportsmanship into a principle, became the sponsor of the Davis Cup/Serbia, which was held in September of 2007. The tournament held in Belgrade Arena, was watched by an audience of 60,000 people at the arena and by 6,000,000 at the screens.

Beko brand supports well known Dinamo Tbilisi

In line with the Company's strong belief in the community involvement, Beko continues to support its local communities with sponsorship efforts. Parallel to its growth in the Georgian market, Beko brand has been the general sponsor of the long established and the most famous football club in Georgia; FC Dinamo Tbilisi since 2005.

Collaborations-industries, universities and research institutions

Arçelik A.Ş. carries out various projects in collaboration with universities to reach and recruit future human resources, contribute to the corporation's reputation at schools, support improvement of students and to prepare them for business life.

Processes in Arçelik A.Ş. that are also called "Open Innovation" are being handled under collaborations. Arçelik has supported collaborations with both universities and research institutes, systematically. During the innovation process, the Company unites with external entities within the frame of different objectives. First of these is the collaboration in technological subjects, which is missing among our core competences, however will be supported in the field we are working in. The Company carries out project-oriented work in this framework.



Technological collaborations:

- > Collaboration with 16 local universities
- > 12 Universities and Research Institutes abroad
- > 30 Master Theses completed
- > Participation to 5th, 6th and 7th EU Framework Programs with projects

As for the future works to be performed in the scope of technological roadmaps, we work with universities, research centers and companies.

The second type of collaboration that we have established is with auxiliary industries and raw material producers. Another collaboration partnership is the strategic technological collaboration with universities, but in critical fields for the Company. Arçelik A.Ş. establishes collaborations by way of membership with the universities and institutes that are experts in their fields.

Universities and research institutions:

- > Middle East Technical University (METU), Bosphorus University, Yıldız Technical University (YTU), Koç University, Sabancı University, Dokuz Eylül University.
- > Turkish Scientific and Technical Researches Institution (TÜBİTAK).
- > GYTE (Gebze Institute of Technology), İYTE (İzmir Institute of Technology).
- > University of Princeton, Maryland, Illinois (UIUC, SIUC), Purdue, Kobe, British Columbia Vancouver, EIVD.
- > LGA, WFK, Fraunhofer, FI, CTTN, Regent, ACRC, CETIM, AVL, Von Karmann, Argonne National Lab.

Under protocols signed with Istanbul Technical University, Yıldız Technical University and Bosphorus University, 104 license and master theses were completed and 48 people were recruited by Arçelik A.Ş. between the years 1997 and 2007.

- Furthermore, Arçelik had also been selected by Harvard Business School, one of the greatest universities in the world, as a subject of a Case Study in 2005 for its development strategy in foreign countries. Arçelik's growth strategies abroad, its technology and successful international works were the factors that affected its being chosen as an example lesson at Harvard Business School.
- Administrators of Georgetown IEMBA Program (Georgetown University International Executive MBA Program) which is one of the ten Executive MBA programs in the world have chosen Arçelik's "Entrance Strategy to US White Goods Market" as a thesis subject in 2007. It has been observed as a result of the presentation that Arçelik's strategy to enter the US White Goods Market is parallel to the findings of the project.

Employees attend conferences, meetings and exhibitions in their own fields in order to closely follow up the world technological platform. To ensure a regular and timely flow of knowledge, employees of the Company work in commissions where the standards are formed. At certain points, we pioneer determination of label values and standards in our industry.



Our Customers

Listening to our customers, offering them products and services that make life more comfortable at home.

Customer satisfaction is a high priority and a crucial target at Arçelik. The secret of Arçelik's success lies in "quality product, strong sales power and effective after-sales services". This formulation has never changed since our establishment.

Today, not only in Turkey, but also in all markets we are making business, our relationship with our consumers does not end with the sales; on the contrary we believe that our relationship starts and always continues with the purchase of our product for the first time. We are not only exporting our products to the world, but we are also exporting this service understanding of ours. We carry our activities in a standardized fashion anywhere in the world through this understanding. The source of this understanding is our policy to take customer orientation as the basis for the "Total Quality Principle".

Customer satisfaction is carefully monitored and reported regularly. The Company attaches great importance to maintaining the confidentiality of information related to its customers, authorized dealers and services as well as its suppliers, which are classified as trade secrets.

After Sales Services

In Arçelik, after sales services are delivered through the Customer Services department. The department, working in connection to the Company's Directorate of Customer Services, serves with 12.000 personnel, 6.500 of whom are technicians providing assistance at the 627 authorized service centers under 13 regions.

Our authorized services provide 11 million services for all the Company's brands. Arçelik personnel faithfully deliver after sales services and follow-up to ensure that products sold are appropriately utilized, contributing to the success and superiority of the Company.

The ever-expanding high-tech Arçelik Call Center directly handles all kinds of inquiries, problems and proposals of customers, seven days and 24 hours when necessary, informs the relevant departments. Arçelik Call Center, capitalizing on the advantage of its latest technology, offers numerous communication channels for its customers. In addition to phone and e-mail, it is also possible to access the Center via fax and by post. The Center responds to the majority of requests, immediately. By handling customer requests promptly and conducting customer satisfaction surveys to collect feedback from the field, Arçelik Call Center is enabling the Company to seize development opportunities. In so doing, it is continuously raising the bar in terms of service quality.

Customer satisfaction should not be perceived as the smooth running of an offered product or elimination of any problems, if any. As Arçelik A.Ş., we believe that we carry forward the concept of customer satisfaction to a further dimension by offering them the highest quality products with less energy consumption and better performance in addition to informing them via the Call Center and solving their problems through our Customer Service units. Customer satisfaction means a long-term and radical satisfaction for us.

Our 142 employee Call Center is equipped with a state-of-the-art structure. As of today, Arçelik Call Center gives sales support, troubleshoot problems and share unsolved problems with its customers, to ensure their satisfaction. Furthermore, it conducts customer satisfaction surveys to help direct our activities. Number of operations at our Call Center has already reached 3.400.000. 74% of on-line calls and 87% of Assist calls are solved before other departments or technicians are dispatched. Service demands of our customers at our Call Center are solved in an average of 1.3 days.

Arçelik A.Ş. was amongst the first firms that signed and joined the “Consumer Protection Commitment System” in 1990.

Arçelik A.Ş. wins “Consumer Satisfaction Oriented Firm” award

In the “Traditional Consumer Awards” being organized by the Ministry of Industry and Trade in seven different categories since 1997, Arçelik A.Ş. won the “Consumer Satisfaction Oriented Firm” award with its activities and applications.

Arçelik A.Ş. was given this award especially for its “adopting customer satisfaction as a corporate policy and reflecting this on all its implementations” and also for “giving consumers rights beyond those given by laws and regulations”.

The Company won the award with its investments for the follow-up of consumer feedback to find solutions in the shortest time to customer complaints. It was also awarded for its offering free repair in most of its products beyond the legal guarantee period and keeping spare parts of a variety of its products for more than 10 years available at the warehouses and also with its assembly services through toll-free customer service lines in Turkey.

Arçelik A.Ş. was amongst the first firms that signed and joined the “Consumer Protection Commitment System” in 1990. Arçelik A.Ş. is now able to reach its customers to share their suggestions, opinions and complaints via its Call Center at 444 0 888 and also at its website at www.arcelik.com.tr and keeps track of these communication.

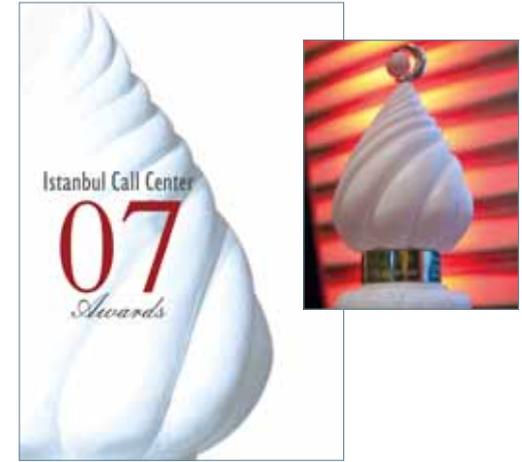
Arçelik Call Center wins first prize in “Best Technology Usage” category

Arçelik Call Center won the first prize in “Best Technology Usage” category in the 2nd Istanbul Call Center Awards Ceremony at the “2nd Istanbul Call Center Conference & Fair” held by IMI Conferences. More than 30 firms were evaluated in the competition where “the best” in 14 categories were selected.

In this category where Arçelik was particularly evaluated for its technology utilization the Company was awarded for its technological infrastructures, software and hardware, and new technology applications.

The goal of Arçelik Call Center is provide high quality service to our consumers 7 days and 24 hours, to facilitate a healthy dialogue between them and the Company, to increase customer satisfaction to an optimum level by evaluating our customers' suggestions and requests immediately.

It has also been one of the basic duties of Arçelik Call Center to contribute in the production of products, which satisfy customer expectations by transferring the consumers' suggestions and requests to relevant production units.



Arçelik Call Center wins first prize in
“Best Technology Usage” category



Our Dealers and Services

A cornerstone of Arçelik's sustained leadership is its extensive network of authorized dealers and services.

Arçelik A.Ş. holds leadership position in Turkey with over 4.500 authorized dealers and over 600 authorized services. The Company organizes regular "Dealer Meetings" to inform its dealers of its policies, targets and economic developments, as well as to get their feedback and hear their concerns.

Arçelik A.Ş. seeks to collaborate with its dealers on social and environmental activities and encourage them to take part in voluntary projects carried out by the Company and the Koç Group, such as the "Standing United for Education with Arçelik" Program and "For My Country" day, "Vocational High School: Issues of the Country" initiative.

The Company also launches socio-environmental projects in collaboration with its dealers, including promotional and advertising initiatives to boost sales of high energy efficiency products. The importance of energy efficiency that will be produced by the use of "A" class products is communicated to all our authorized dealers and services via several activities and by our internal TV programs and trainings. The "Don't waste your water" campaign, which is sponsored by our Company, is also supported by our authorized dealers through awareness and communication campaigns on energy and efficiency. In Arçelik A.Ş., the dealer satisfaction is also being monitored.

Trainings

Authorized Dealers

Arçelik A.Ş. believes that better service, high customer satisfaction and continuous sales can only be achieved through authorized dealers and by salespersons that have high level of information and competence. With this understanding, Arçelik A.Ş. aims to improve its authorized dealers through dealer trainings and to equip them with the highest level of knowledge, thus increase its service quality as well as its business performance by means of ensuring customer satisfaction and loyalty, which will eventually bring forth the continuity in sales.

The training programs for authorized dealers in 2007 consist of Beyaz Tur (White Tour) trips in which the authorized dealers visit our production facilities to ensure contribution in their knowledge levels and sales activities, of product trainings and latest company information broadcasted by Arçelik and Beko TV and the "Assist System" training, which manages the information between the Company and its dealers.

To inspire the authorized dealers to boost their sales performance, the Company also provides ad hoc trainings for its Arçelik and Beko sales teams on phases of sales and emphasizes that sales is a "lifestyle" that prevails in all stages of life. Some of the topics covered in these trainings are: How to control a career, 6 questions to consider, determination of bottlenecks for targets, concentrating on sales targets, concentrating on customers' purchasing behaviors and phases, focusing on the customer with self-confidence, and concentrating on 6 phases of sales.

A total of 118 training programs, 58 of which were for Arçelik and 60 for Beko were fulfilled in the year 2007. Out of 1.194 dealers, 969 salespersons from Arçelik and 890 salespersons from Beko, thus a total of 1.859 people attended these training courses.

Authorized Services

Training on new products given to technicians is now being given visually on the Service TV. Parallel to our growth in foreign countries our authorized services were provided with intensive trainings in 2007 and 54 training programs were implemented in 32 countries. The Service TV ensured a fast and economic path for our authorized services to reach these training programs. Apart from these trainings, it is also possible to conduct some evaluation tests through the Service TV and to record courses to be viewed in the future.

TV broadcasts

Arçelik and Beko Dealer TV

Arçelik and Beko Dealer TV is a communication platform, which was developed to give training regarding sales and products, share corporate information with the Company's widespread dealer network in Turkey. The purpose of the closed-circuit TV channel, a part of the remote training, is to transmit messages to the target audience by means of accurate contents.

Arçelik TV commenced broadcasting in February 2006 and Beko TV in March 2006. At the end of 2007, total 1,172 authorized dealers, 682 of which were Arçelik and 490 were Beko, had the chance to follow this broadcasting. This number is expected to reach 2,653 in 2008. According to the result of satisfaction surveys, the rating of the broadcast is 93%.

Training programs such as product group promotions and trainings, sales techniques and behavioral training, management, motivation, leadership skills, modern store-keeping management, sales and marketing applications, and campaigns were included in Dealer TV broadcasts throughout 2007.

Some of the examples for programs included in the TV broadcasts are the Company vision, annual targets, general manager's messages about strategies, interviews with managers, internal implementations, news about brands, production facilities and divisions, awards and successes, consumer rights, advertisement campaigns/shooting of commercials, and pack-shots.

Service TV

The Service TV, which commenced broadcasting on February 2007 broadcasts every 15 days, 1 hour. In 2007, 26 broadcasts were made in total. 80% of these broadcasts consist of training and 20% consists of Company presentations. 629 Arçelik authorized services watched the Service TV broadcasts. The broadcasts reached 98% audience satisfaction according to a survey carried out in 2007.



Our Suppliers

Our suppliers are requested to work in line with the rules of business ethics, quality management system, environment management system and contract provisions.

Purchasing is of strategic importance for the profitability and growth of Arçelik A.Ş., as well as for the implementation of its vision. Our objective is to produce high quality, cost-effective and environment-friendly products by bringing out the innovative and creative capacities of our suppliers, and to collectively benefit the eventual outcomes. All Arçelik A.Ş. suppliers are requested to work in line with the rules of business ethics, list of prohibited materials, quality system and our other expectations.

We apply a stepwise method for supplier selection and qualification process. A self-assessment questionnaire is sent to the supplier to have thorough information about the company, its corporate and financial structure. The self assessment questionnaire is also used to assess the current condition of suppliers in terms of quality management system, environment management system and conformance to Code of Conduct. The answers of the questionnaires are evaluated by the Purchasing Department to understand whether the Company meets Arçelik's requirements, if necessary a detailed visit/ risk based audit is conducted. Until 2008 the audits covered the quality standards and technical capability aspects. In 2008 these audits are being extended to cover both environmental and business ethics issues.

Suppliers of components and raw materials by geographical region (2007)

Region	# of suppliers	% share in total purchasing volume
Turkey	513	56,16
Europe	384	34,79
Far-East	126	7,65
America	12	1,01
Middle-East	2	0,39
Grand Total	1.037	100,00

Suppliers of components and raw materials by supply area

Supply Area	# of suppliers	% share in total purchasing volume
Metal	321	39,60
Plastics	437	37,46
Mechanics	223	18,28
Electronics	56	4,66
Grand Total	1.037	100,00

Arçelik's requirements from its suppliers may be summarized as below, in four areas:

- > Quality Management System
- > Environment Management System
- > Business Ethics
- > Contract Provisions

Quality management system

Our suppliers should establish, document, implement and continually enhance the efficiency of a quality system, which is aimed at performance improvement, reduction of the nonconformities and waste. The suppliers are required to have quality objectives, which could meet the expectations of Arçelik A.Ş. including the requirements of material conformity, which are measurable and could be implemented in a certain timeframe in compliance with the quality policy. The suppliers should have management reviews, which provide continual improvement. These reviews should cover the activity outputs aimed at monitoring the overall performance of the process. With respect to management system and product standards Arçelik expects that its suppliers have obtained certificates of management standards such as ISO 9001, ISO 14001, ISO/TS 16949, OHSAS 18001, EMAS; and product standards like TSE, BEAB, VDE, DIN.

Environment management system

We comply with all regulations during the life cycle (from design to disposal) of the product, established for protecting the world ecological balance, which is progressively deteriorating. Along with the current legal regulations set out to this end, the Company also complies with the EU directives issued in order to provide conformity of the legal measures taken at national levels in the EU member countries, and engages itself with the environmental policy in which this approach has been declared. Realization of Arçelik's environmental approach can only be achieved by including all the collaborators in the supply chain within this approach. Arçelik A.Ş. requests its suppliers to sign a material declaration of conformance to Arçelik's restricted materials list. All the purchased materials are controlled and tested for conformance to regulations either through accredited laboratories or in Arçelik's own RoHS test laboratories.

Business ethics

Arçelik A.Ş. is one of the first companies, which signed the Code of Conduct on Corporate Social Responsibility established by European Committee of Domestic Equipment Manufacturers (CECED), as expressed previously. Arçelik A.Ş., in accordance with the global world conditions and consumer expectations, has been planning and carrying out its activities having the consciousness of social and environmental responsibility; within the framework of respect for employee rights. Arçelik A.Ş. expects that its suppliers shall carry out their activities with similar consciousness as required by the joint responsibility. The Rules of Business Ethics which are expected to be considered by suppliers in their business activities and extended to their own chain of suppliers are summarized below.

- > Specific Requirements
- > Forced Labor > Child Labor > Harassment > Compensation > Hours of Work > Non-discrimination
- > Health and Safety > Freedom of Association and Collective Bargaining > Environmental Regulations and Standards

Arçelik A.Ş. expects its suppliers to comply with the provisions of the Code of Conduct, as well.

Contracts

Arçelik A.Ş. establishes commercial relations with its suppliers, based on mutual trust, constructed with a sense of responsibility and communication, and having well-defined contents and limits set by the ability to compromise. We mutually sign the "Purchasing Contracts" with its suppliers in order to provide the working conditions bilaterally defined with its suppliers and the consistence of the working conditions.

The main purposes of the contracts are:

- > Bilaterally defining the working conditions
- > Determining the measures and procedures in case they are not met

There are two types of documents concerning the contract between Arçelik A.Ş. and its suppliers:

- > Purchasing Quality Specifications for the Direct Material Suppliers appended with the declaration of environmental compliance of materials, which secures that the materials purchased are in accordance with the regulations / laws like, RoHS, PAH, WEEE.
- > Direct Material Purchasing Contract

Communication

Arçelik A.Ş. sees communication as a critical tool to build an effective supply chain. With regular meetings organized with the suppliers, the visits/audits and through the supplier portal, the results of the previous year, the targets and Arçelik A.Ş. policies and strategies for the current year are shared with suppliers. In these meetings, the new issues/requirements in the field of environment and business ethics are also shared with the suppliers. Arçelik's supplier portal is used to exchange online information including quality, environment, Code of Conduct requirements, billing, supply orders, and such. Suppliers are also periodically informed about new environmental regulations&directives like REACH, RoHS, PAH, WEEE as well as ethical issues through e-mails.

For your feedbacks and inquiries regarding this Report or Arçelik's CSR activities,
please contact Corporate Communications Department.
E-mail: corporateinfo@arcelik.com

Annual Report

For Arçelik's latest Annual Report, please visit the following website:
www.arcelikas.com



2007 Arçelik A.Ş. Annual Report
Golden Award by the LACP (League of American Communication Professionals)

The "Standing United for Education with Arçelik"
Community Involvement Program Report
www.egitimdegonulbirligi.org



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Disclaimer

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