VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

FINANCIAL STATEMENTS AT 31 DECEMBER 2007

TOGETHER WITH AUDITORS' REPORT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of
Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.

We have audited the accompanying financial statements of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. (the "Company"), which comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Vestel Beyaz Eşya Sanayi Ve Ticaret A.Ş. as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ERGİN Uluslararası Denetim ve Yeminli Mali Müşavirlik A.Ş.
Member Firm of Grant Thornton International

Aykut Halit
Partner

İstanbul, 06.03.2008

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
BALANCE SHEETS
AT 31 DECEMBER 2007 AND 2006

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

Assets	Note	2007	2006
Current assets			
Cash and cash equivalents	4	74.355.224	12.901.538
Trade receivables	5	233.228.507	345.042.374
Inventories	6	153.746.534	131.119.480
Other assets	7	17.768.472	18.521.604
Total current assets		**479.098.737**	**507.584.996**
Non-current assets			
Trade receivables	5	232.606	--
Property, plant and equipment	8	337.957.260	333.244.995
Intangible assets	9	6.205.035	1.531.332
Deferred tax asset	14	2.385.206	3.163.330
Total non-current assets		**346.780.107**	**337.939.657**
Total assets		**825.878.844**	**845.524.653**

The accompanying notes are an integral part of these financial statements.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
BALANCE SHEETS
AT 31 DECEMBER 2007 AND 2006

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

Liabilities and equity	**Note**	**2007**	**2006**
Current liabilities			
Borrowings	10	23.597.430	34.464.304
Trade payables	11	207.707.332	258.098.548
Taxation on income	14	--	1.287.503
Provisions	12	6.294.422	5.841.913
Other liabilities	13	5.705.803	5.972.507
Total current liabilities		**243.304.987**	**305.664.775**
Non-current liabilities			
Borrowings	10	62.368.846	58.888.365
Reserve for retirement pay	15	3.150.070	2.691.147
Deferred tax liability	14	12.596.024	16.826.938
Total non-current liabilities		**78.114.940**	**78.406.450**
Equity			
Share capital	16	205.720.137	205.720.137
Share premium		109.030.821	109.030.821
General reserves		189.707.959	146.702.470
Total equity		**504.458.917**	**461.453.428**
Commitments and contingencies	17		
Total liabilities and equity		**825.878.844**	**845.524.653**

The accompanying notes are an integral part of these financial statements.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

	Note	2007	2006
Revenue	18	1.178.536.079	1.122.199.644
Cost of sales	19	(1.098.457.966)	(962.411.886)
Gross profit		**80.078.113**	**159.787.758**
Research and development expenses		(10.398.020)	(12.551.964)
Selling expenses		(30.926.943)	(28.131.951)
General and administrative expenses		(16.112.592)	(17.687.563)
Other income, net	20	7.027.052	8.133.090
Operating profit		**29.667.610**	**109.549.370**
Financing income	21	87.014.524	44.500.334
Financing expense	21	(34.485.729)	(82.168.263)
Profit before taxation		**82.196.405**	**71.881.441**
Taxation charge			
Current		(11.907.441)	(7.087.630)
Deferred		3.452.790	(1.404.170)
Taxation on income	14	**(8.454.651)**	**(8.491.800)**
Net profit for the year		**73.741.754**	**63.389.641**
Basic and fully diluted earnings per share	3	**0,39**	**0,36**

The accompanying notes are an integral part of these financial statements.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

	Share capital	**Share premium**	**General reserves**	**Total equity**
Balance at 01 January 2006	**153.720.137**	**--**	**83.312.829**	**237.032.966**
Increase in share capital	52.000.000	109.030.821	--	161.030.821
Net profit for the year	--	--	63.389.641	63.389.641
Balance at 31 December 2006	**205.720.137**	**109.030.821**	**146.702.470**	**461.453.428**
Dividends paid	--	--	(30.736.265)	(30.736.265)
Net profit for the year	--	--	73.741.754	73.741.754
Balance at 31 December 2007	**205.720.137**	**109.030.821**	**189.707.959**	**504.458.917**

The accompanying notes are an integral part of these financial statements.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
CASH FLOW STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

	Note	2007	2006
Profit before tax		**82.196.405**	**71.881.441**
Adjustment to reconcile profit before tax to net cash provided from operating activities:			
Depreciation expense	8	40.369.112	34.514.426
Amortization charge	9	982.468	1.166.891
Provision for retirement pay	15	1.654.102	1.160.626
Provision for diminution in value of inventories	6	882.904	487.263
Unearned interest on receivables		(7.215.862)	8.156.928
Unearned interest on payables		(824.956)	(731.918)
Interest income	21	(3.223.024)	(4.196.941)
Interest expense	21	8.523.859	18.821.014
Profit on sale of property plant and equipment		(137.086)	(1.109.480)
Loss on sale of property plant and equipment		85.352	51.599
Operating profit before changes in working capital		**123.293.274**	**130.201.849**
Trade receivables		118.797.123	(209.534.722)
Inventories		(23.509.958)	(30.018.347)
Other assets		753.132	(9.967.195)
Trade payables		(49.566.260)	80.719.279
Other liabilities		(1.009.374)	(43.627.525)
Taxes paid		(13.194.944)	(6.595.932)
Net cash provided by (used in) operating activities		**155.562.993**	**(88.822.593)**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(45.899.488)	(49.808.230)
Purchase of intangible fixed assets	9	(5.010.707)	(103.424)
Proceeds from sale of property plant and equipment		224.381	1.177.731
Net cash used in investing activities		**(50.685.814)**	**(48.733.923)**
Cash flows from financing activities			
Changes in borrowings, net		(7.693.455)	(5.428.703)
Increase in share capital		--	161.030.821
Dividends paid		(30.736.265)	--
Interest received		3.223.024	4.196.941
Interest paid		(8.216.797)	(17.717.929)
Net cash provided by (used in) financing activities		**(43.423.493)**	**142.081.130**
Net increase in cash and cash equivalents		**61.453.686**	**4.524.614**
Cash and cash equivalents at beginning of year		**12.901.538**	**8.376.924**
Cash and cash equivalents at end of year		**74.355.224**	**12.901.538**

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION AND NATURE OF ACTIVITIES

Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. (the "Company" or "Vestel Beyaz Eşya") was incorporated in 1997 under the Turkish Commercial Code and was registered in Istanbul, Turkey. The registered office address of the Company is located at Ambarlı, Petrol Ofisi Dolum Tesisleri Yolu, Zorlu Plaza, Avcılar / Istanbul- Turkey.

The Company is a member of the Vestel Group of Companies which are under the control of the Ahmet Nazif Zorlu family. The Company sells all of its products to Vestel Dış Ticaret A.Ş. ("Vestel Foreign Trade"), which sells them outside of Turkey and Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş. ("Vestel Domestic Marketing"), which sells them to customers in Turkey both of which is members of the Vestel Group of Companies and are not owned or controlled by the Company.

The Company started working actively in 1999 and is engaged in the manufacture of refrigerators, freezers, room air conditioning units, washing machines and cookers. The Company's production facilities are located in Manisa industrial site with total area of 395.000 square meters.

The company is registered to Capital Market Board and its shares have been quoted to Istanbul Stock Exchange since 21 April 2006.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as developed and published by the International Accounting Standards Board ("IASB").

Measurement currency, reporting currency

The financial statements have been prepared under the historical cost convention, other than financial assets which are stated at fair value.

The restatement for the changes in the general purchasing power of YTL as of 31 December 2005 is based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms. One characteristic (but not limited to) that necessitates the application of IAS 29 is a cumulative three year inflation rate approaching or exceeding 100%. As of 31 December 2005, the three year cumulative rate has been 36% (31 December 2004: 70% - 31 December 2003: 181%) based on the Turkish countrywide wholesale price index published by the State Institute of Statistics.

As of 1 January 2006, it has been decided to discontinue the adjustment of financial statements for inflation after taking into account that hyperinflation period has come to an end as indicated by existing objective criteria and, that other signs indicating the continuance of hyperinflation have largely disappeared the financial statement as of 31 December 2006 have therefore, not been subjected to any adjustment for inflation.

The effects of ending the adjustments for inflation on financial statements are summarized as follows:

The financial statements as of 31 December 2006 have not been subjected to any inflation adjustment whereas the financial statements for previous periods have been adjusted for inflation on basis of the measuring unit current at the last preceding balance sheet date namely 31 December 2005.

Together with the ending of the hyperinflationary period the balances adjusted for inflation as of the last preceding balance sheet date form the opening balances of the assets, liabilities and equity accounts as of 1 January 2006.

Comparable financial information and reclassification of prior period financial statements
The balance sheets with the accompanying notes as of 31.12.2007 and 2006 and statement of income, cash flow and changes in equity with the accompanying notes for the twelve months period ended 31.12.2007 and 2006 are presented as comparatively.

For the compatibility of the current financial statements these financial statements are reclassified if necessary.

Other income of YTL 3.073.055 explained under note 19 to the financial statements for the year ended 31 December 2006 has been reclassified under note 19 under “Other domestic sales” to enable comparability between the current and the previous year financial statements

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of the accompanying financial statements are summarized below:

Foreign currency translations and transactions
Transactions are recorded in New Turkish Lira, which is the Company’s functional currency. Transactions in foreign currencies during the periods have been translated at the exchange rates prevailing at the dates of these transactions. Balance sheet items denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from settlement and translation of foreign currency items have been included in the financing income or expense accounts as appropriate.

As of 31 December 2007 and 2006, the foreign exchange rates used by the Company are as follows:

	2007	**2006**
US Dollar	1,1647	1,4056
EURO	1,7102	1,8515

Property, plant and equipment depreciation
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

	Year
Land	Nil
Land improvements	8.5 – 25
Buildings	25 – 50
Leasehold improvements	5
Plant and machinery	5 – 20
Motor vehicles	5
Furniture and fittings	5 – 10

The carrying values of property, plant and equipment are reviewed for impairment periodically and when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in income.

Intangible assets
Expenditure on intangible assets is amortized using the pro-rata basis over their useful lives, not exceeding 5 years.

Research and development costs
Research expenditure is recognized as an expense as incurred.

Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets to the extent that the expenditure is expected to generate future economic benefits. Development costs that have been capitalized are amortized on a pro-rata basis over a period of 5 years which in the estimated period over which the technology is expected to lead the market and have commercial value.

The carrying values of capitalized research and development expenditure are reviewed for impairment periodically and when events or changes in circumstances indicate that the carrying value may not be recoverable.

Other intangible assets
Expenditures on acquired patents and licenses are capitalized and amortized on a pro-rata basis over their estimated useful life, not exceeding a period of 5 years.

Impairment of assets
At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. All other borrowing costs are recognized in net profit or loss in the period in which they are incurred.

Bank borrowings
Interest-bearing bank loans and overdrafts are recorded in the amount of the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Financial asset

Financial instruments and financial risk management
The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The management reviews and agrees policies for managing each of these risks and they are summarized below.

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

Liquidity risk
Liquidity risk arises from the fact that the Company may not receive financial instruments from its counterparties at the expected time. This risk is managed by maintaining a balance between continuity of funding and flexibility through the use of overdrafts, finance leases and other funds.

Foreign currency risk
The Company is exposed to foreign exchange risk through the impact of rate changes at the translation of USD Dollar and Euro denominated assets and liabilities to YTL (note 23). These risks are monitored and limited by the analysis of foreign currency position.

Credit risk
Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. The majority of the trade receivables are from related parties. Domestic sales are made through Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş. ("Vestel Domestic Marketing") and their receivables are secured by taking sufficient collaterals from the dealers. Overseas sales are made through Vestel Dış Ticaret A.Ş. ("Vestel Foreign Trade") and their receivables are insured by Turkish Eximbank and export credit agencies.

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

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

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

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

Cash and cash equivalents presented in the cash flow statements include cash and bank deposits which have a maturity of 3 months or shorter.

The carrying values of the trade receivables net of provisions for uncollectible receivables are considered to approximate their fair values.

The carrying value of the financial assets is considered to approximate their fair values.

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

The fair values of long-term bank borrowings which are denominated in foreign currencies and translated at year-end exchange rates are considered to approximate their carrying values.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Warranty provision
This provision reflects the costs and expenses for which the Company responsible for servicing its products sold which malfunction due to production defects. Technical service costs which may be incurred in the future with respect to the sales in the current year are estimated by the Company's management on the basis of past experience.

Contingent assets and contingent liabilities
Transactions that may give rise to contingencies and commitments are those for which the outcome and the performance will be ultimately confirmed only on the occurrence or non-occurrence of certain future events, unless the expected performance is not very likely. Accordingly, contingent losses are recognized in the financial statements if a reasonable estimate of the amount of the resulting loss can be made. Contingent gains are reflected only if it is probable that the gain will be realized.

Leases
Finance Lease – Leases in terms of which the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognized as assets of the Company at their fair value at the date of acquisition. The corresponding liability to the Company is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period. Capitalized leased assets are depreciated in accordance with the depreciation policy noted above.

Operating lease
Leases of assets under which all the risks and rewards of ownership are effectively retained by the lesser are classified as operating leases. Lease payments on operating lease are recognized as an expense on a straight-line basis over the lease term.

Related parties
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. For the purpose of these financial statements shareholders are referred to as related parties. Related parties also include individuals that are principal owners, management and members of the Company's Board of Directors and their families.

Government incentives and subsidies
These are reflected in the financial statements when the Company has complied with all of the requirements and reasonable assurance is formed that incentive or assistance will be obtained.

Liabilities to Governmental departments which may be forgone by the Authorities are accepted as Government incentives when reasonable assurance is formed that such liabilities will not be paid because the Company has complied with all the requirements related to the liability.

Recognition and derecognition of financial instruments
The Company recognizes a financial asset or financial liability in its balance sheet when and only when it becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset or a portion of a financial asset when and only when it loses control of the contractual rights that comprise the financial asset or a portion of a financial asset or when a financial asset or a portion of a financial asset expires. The Company derecognizes a financial liability when and only when a liability is extinguished and that is when the obligation specified in the contract is discharged, cancelled and expires.

Employee benefits
Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who retires in accordance with social insurance regulations, is called up for military service or dies.

Revenue recognition
Revenue is recognized at the moment goods are invoiced on the basis of physical delivery by the Company. Revenue is shown net of value added and sales taxes, discounts and returns.

Trade receivables
Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method to set an allowance for unearned interest. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade payables
Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method to set an allowance for unearned interest.

Inventories
Inventories are stated at the lower of cost and net realizable value. Costs comprise direct materials and, where applicable, direct labor costs and those overheads (based on normal operating capacity) that have been incurred in bringing the inventories to their present location and condition but excludes borrowing cost. Cost is calculated by using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Use of estimates
The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known. Estimation have been used mainly for provision for possible losses due to lawsuits, warranty provision, provision for retirement pay, doubtful receivables and deferred taxation. Estimations have been made on basis previous experience and other appropriate data supplied by the management.

Income taxes
Tax expense (income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences.

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Cash and cash equivalents
Cash and cash equivalents presented in the cash flow statements include cash and bank deposits which have a maturity of 3 months or shorter.

Earnings per share
The calculation of the basic and diluted earnings per share is based on net profit for the related year ended divided by the weighted average number of ordinary shares outstanding during the year.

Turkish companies may increase their share capital by the issue of bonus shares from distributions made from accumulated prior period earnings and revaluation fund reserves. In the calculation of basic earnings per share these bonus shares are considered as shares issued and the weighted average number of ordinary shares outstanding during the year or the period is adjusted retrospectively to take into account the bonus share issues.

As of 31 December 2007 and 2006, the computation of the basic and diluted earnings per share is as follows:

	2007	**2006**
Shares outstanding at beginning of year	190.000.000	138.000.000
New shares issued	--	52.000.000
Shares outstanding at end of year	**190.000.000**	**190.000.000**
Net profit attributable to shareholders	73.741.754	63.389.641
Weighted average number of ordinary shares in issue	190.000.000	177.000.000
Basic and diluted earnings per share	**0,39**	**0,36**

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

4. CASH AND CASH EQUIVALENTS

	2007	2006
Cash in hand	35.535	23.076
Cash at banks		
- Demand deposit	443.181	452.693
- Time deposit	73.876.508	12.425.769
	74.355.224	**12.901.538**

As of 31.12.2007, the maturity of time deposits was 07.01.2008 and the interest rate varied between 4% and 5,3% per year for foreign currency and 18,25 - %18,65 per YTL (31.12.2006: 02.04.2007 interest rate varied between 3,5% and 5,5% per year for foreign currency and 19,75% per year for New Turkish Lira).

5. TRADE RECEIVABLES

Current accounts		
- Third parties	753.534	85.917
- Related parties, note 22	95.206.215	134.094.978
Notes receivable		
- Related parties, note 22	142.150.967	223.048.191
Other	6.816	18.902
	238.117.532	357.247.988
Unearned interest on receivables (-)	(4.889.025)	(12.205.614)
	233.228.507	**345.042.374**

Non-current trade receivables from third parties	**232.606**	--

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

6. INVENTORIES

	2007	2006
Raw materials	101.688.112	84.172.075
Work in process	4.861.539	7.774.695
Finished goods	40.205.419	29.775.588
Merchandise	6.624	3.279.561
Spares and supplies	175.175	391.148
Goods in transit	8.582.886	6.616.730
	155.519.755	132.009.797
Allowance for diminution in value (-)	(1.773.221)	(890.317)
	153.746.534	**131.119.480**

Movement of allowance for diminution in value of inventories is as follows:

Opening balance as of 1 January	890.317	403.054
Charge for the year, net	882.904	487.263
Closing balance at 31 December	**1.773.221**	**890.317**

As of 31.12.2007, inventories were insured for YTL 186.352.000 (31.12.2006: YTL 161.644.000).

7. OTHER ASSETS

Prepaid expenses	1.502.091	1.522.249
VAT receivable	15.511.959	16.942.366
Due from personnel	127.109	39.371
Prepaid taxes and funds	516.389	--
Other	110.924	17.618
	17.768.472	**18.521.604**

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

8. PROPERTY, PLANT AND EQUIPMENT

	01.01.2007	Additions	Disposals	Transfers	31.12.2007
Cost					
Land	6.844.298	--	--	--	6.844.298
Land improvements	2.693.174	--	--	--	2.693.174
Buildings	58.165.852	230.740	--	4.057.359	62.453.951
Leasehold improvements	867.653	200.741	--	3.908	1.072.302
Plant and machinery	360.972.366	2.271.069	(403.625)	53.993.437	416.833.247
Motor vehicles	556.342	44.081	(22.450)	--	577.973
Furniture and fixtures	12.411.922	1.601.729	(3.102)	813.897	14.824.446
Construction in progress	28.335.382	41.551.128	--	(59.514.065)	10.372.445
	470.846.989	**45.899.488**	**(429.177)**	**(645.464)**	**515.671.836**
Accumulated depreciation					
Land improvements	982.943	160.026	--	--	1.142.969
Buildings	11.506.514	2.254.162	--	--	13.760.676
Leasehold improvements	179.351	221.500	--	--	400.851
Plant and machinery	119.769.096	35.478.638	(246.042)	--	155.001.692
Motor vehicles	166.448	112.003	(9.728)	--	268.723
Furniture and fixtures	4.997.642	2.142.783	(760)	--	7.139.665
	137.601.994	**40.369.112**	**(256.530)**	**--**	**177.714.576**
Net book value	**333.244.995**				**337.957.260**

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

	01.01.2006	Additions	Disposals	Transfers	31.12.2006
Cost					
Land	6.844.298	--	--	--	6.844.298
Land improvements	2.685.299	7.875	--	--	2.693.174
Buildings	57.742.996	401.389	--	21.467	58.165.852
Leasehold improvements	387.645	135.908	--	344.100	867.653
Plant and machinery	323.044.128	3.306.632	(313.155)	34.934.761	360.972.366
Motor vehicles	424.780	131.562	--	--	556.342
Furniture and fixtures	10.514.705	1.512.126	(1.168)	386.259	12.411.922
Construction in progress and advances given	19.790.195	44.312.738	--	(35.767.551)	28.335.382
	421.434.046	**49.808.230**	**(314.323)**	**(80.964)**	**470.846.989**
Accumulated depreciation					
Land improvements	823.094	159.849	--	--	982.943
Buildings	9.297.740	2.208.774	--	--	11.506.514
Leasehold improvements	64.116	115.235	--	--	179.351
Plant and machinery	89.797.066	30.166.430	(194.400)	--	119.769.096
Motor vehicles	61.767	104.681	--	--	166.448
Furniture and fixtures	3.238.258	1.759.457	(73)	--	4.997.642
	103.282.041	**34.514.426**	**(194.473)**	**–**	**137.601.994**
Net book value	**318.152.005**				**333.244.995**

The Company's policy is to trace all material and significant fixed asset additions under construction in progress and transfer to the related fixed asset accounts when the construction process is completed. Construction-in-progress balance represented investment made to increase its second refrigerator, washing machine, cooker and dishwasher factories respectively.

Leased assets included in the table above comprise plant and machinery amounting to YTL 24.016.281 net of accumulated depreciation. (2006: YTL 29.123.802).

As of 31 December 2007, fixed assets were insured for YTL 292.596.685 (2006: YTL 394.736.853).

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

9. INTANGIBLE ASSETS

	01.01.2007	Additions	Transfers	31.12.2007
Cost				
Rights	6.624.798	--	--	6.624.798
Development costs	5.234.882	4.881.264	645.464	10.761.610
Other intangible assets	882.136	129.443	--	1.011.579
	12.741.816	**5.010.707**	**645.464**	**18.397.987**
Accumulated amortization				
Rights	6.498.726	104.865	--	6.603.591
Development costs	4.373.978	628.533	--	5.002.511
Other intangible assets	337.780	249.070	--	586.850
	11.210.484	**982.468**	**--**	**12.192.952**
Net book value	**1.531.332**			**6.205.035**

	01.01.2006	Additions	Transfers	31.12.2006
Cost				
Rights	6.621.120	3.678	--	6.624.798
Development cost	5.234.882	--	--	5.234.882
Other intangible assets	701.426	99.746	80.964	882.136
	12.557.428	**103.424**	**80.964**	**12.741.816**
Accumulated amortization				
Rights	6.275.185	223.541	--	6.498.726
Development cost	3.609.205	764.773	--	4.373.978
Other intangible assets	159.203	178.577	--	337.780
	10.043.593	**1.166.891**	**--**	**11.210.484**
Net book value	**2.513.835**			**1.531.332**

Rights mainly comprise computer software development costs and software licenses. Research and development expenses principally comprise internally generated expenditure on research and development costs on refrigerator and room air conditioning unit projects where it is reasonably anticipated that the costs will be recovered through future commercial activity.

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

10. BORROWINGS

	2007	2006
Current		
New Turkish Lira bank loans	4.600	61.283
Foreign currency bank loans	22.710.408	32.419.964
Finance lease liabilities, net	882.422	1.983.057
	23.597.430	**34.464.304**
Non-current		
Foreign currency bank loans	62.367.990	57.846.159
Finance lease liabilities, net	856	1.042.206
	62.368.846	**58.888.365**

The Company obtained various loans from non-Turkish financial institutions with a maturity of 5 years in years between 2003-2007 for financing investments in production machinery and equipment. As of 31.12.2007, the Company's borrowings under these facilities included a short term payable of YTL 18.487.399 (31.12.2006: YTL 15.823.399) and long term payable of YTL 60.444.014 (31.12.2006: YTL 51.523.738). The principal amount of these loans is repayable at six months intervals and the last repayment date is December 2015. The annual interest rate is between Euribor + 0,3% and 1%.

The Company's borrowings as of 31.12.2007 also included borrowings under a EUR 9.000.000 facility obtained during June 2003 for financing working capital. The loan matures in May 2009. As of 31 December 2007, the remaining principal amount outstanding is EUR 3.375.000 (YTL 5.771.925). The annual interest rate is Euribor + %3,25.

As of the balance sheet dates, the maturity breakdown of bank borrowings are summarized below:

Due in one year	22.715.008	32.481.247
One to two years	19.662.528	19.484.411
Two to three years	15.244.145	16.517.146
Three to four years	11.567.632	11.733.716
Four to five years	6.206.504	7.753.432
Over five years	9.687.181	2.357.454
	85.082.998	**90.327.406**

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

Finance lease liabilities – minimum lease payments:

	2007	**2006**
Finance lease installments:		
Due in one year	902.454	2.132.983
Due between one to four years	657	1.068.454
Over four years	299	239
Future finance charges on finance leases	(20.132)	(176.413)
	883.278	**3.025.263**
The present value of finance lease liabilities:		
Due in one year	882.422	1.983.057
Due between one to four years	588	1.042.009
Over four years	268	197
Total	**883.278**	**3.025.263**

11. TRADE PAYABLES

Current accounts		
- Third parties	205.912.049	240.312.589
- Related parties, note 22	3.928.754	18.808.199
Notes receivable		
- Third parties	--	286.275
	209.840.803	259.407.063
Unearned interest on payables (-)	(2.133.471)	(1.308.515)
	207.707.332	**258.098.548**

As of 31 December 2006, trade payables includes USD 20.750.000 (YTL 29.166.200) provided by HSBC Bank for the purchase of compressors in the form of murabaha financing and paid back on 15.03.2007.

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

12. WARRANTY PROVISION EXPENSE

	2007	2006
Warranty provision expense	**6.294.422**	**5.841.913**

Movement of warranty expense provision is as follows:

	2007	2006
Opening balance as of 01 January	**5.841.913**	**3.404.517**
Charge for the year, net	452.509	2.437.396
Closing balance as of 31 December	**6.294.422**	**5.841.913**

13. OTHER LIABILITIES

Income tax and social security payables	3.803.063	5.532.025
Advances received	211.269	--
Due to personnel	1.454.481	207.659
Other	236.990	232.823
	5.705.803	**5.972.507**

14. TAXATION ON INCOME

The corporation tax rate on the profits for the calendar year 2007 is 20% (2006: 30%). Taxable profits are calculated by modifying accounting income for certain exclusions and allowances for tax purposes from the profit disclosed in the statutory income. No other taxes are paid unless profits are distributed.

In Turkey no taxes are withheld from undistributed profits, profits added to share capital (bonus shares) and dividends paid to other resident companies. Other than those, profits distributed in dividends to individuals and non-resident companies are subject to withholding at the rate of 15%.

The exemption period granted on profits from the sale of investment shares and immovable property by Corporation Tax Law transitory articles No. 28 and 29 expired on 31 December 2004. However this exemption was re-enacted by Law No. 5281 on permanent basis in effect from 1 January 2005 and added to Corporation Tax Law article 8.

Companies were allowed to deduct 40% of the value of fixed assets (exceeding YTL 6.000) purchased after 24 April 2003 (investment allowances) from their taxable profits as investment incentive. Such investment deduction is also not subject to income tax withholding. The investment deductions not used in any year because of insufficient profits may be carried to future periods.

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

Investment allowances related to fixed assets purchased or to be purchased under Investment Incentive Certificates granted or applied for before 24 April 2003, may be based on up to 100% of the investment value in fixed assets, but these are subject to tax at 19,8%. Investment allowances have been cancelled as from 1 January 2006 but investment allowances earned prior to this date may be used up to 31 December 2008; any balance unused after this date may not be carried forward.

Tax losses that are reported in the Corporation Tax return can be carried forward and deducted from the corporation tax base for a maximum of five consecutive years.

The Turkish Tax Procedural Law does not include a procedure for formally agreeing tax assessments. Tax returns must be filed within three and a half months of the year-end and may be subject to investigation, together with their underlying accounting records, by the tax authorities at any stage during the following five years.

A reconciliation of the Company's tax expense is as follows:

	2007	**2006**
Profit before tax	82.196.405	71.881.441
Income not subject to tax	(13.018.804)	(14.530.702)
Tax effect of permanent differences and valuation allowances, net	(6.147.655)	(3.201.787)
Research and development expenses	(1.786.755)	(3.985.846)
Expenses not deductible for tax purposes	3.802.748	4.279.599
Investment incentive allowances 40% deductible and not subject to withholding	--	(18.129.801)
Investment incentive allowances 100% deductible and subject to withholding tax at 19,8%	--	(23.549.719)
Effect on deferred tax balances due to the change in income tax rate from 30% to 20% (effective 01.01.2007)	(22.772.680)	--
Income subject to taxation	42.273.259	12.763.185
Tax calculated at a tax rate of 20% (2006: 30%)	8.454.651	3.828.956
Withholding tax on Investment incentives at 19.8%	--	4.662.844
Income tax expense	**8.454.651**	**8.491.800**

Taxes included in the balance sheet are shown below:

Corporation and income taxes	11.907.441	7.087.630
Prepaid taxes (-)	(11.907.441)	(5.800.127)
Corporation and income taxes payable	--	1.287.503
Deferred tax asset	(2.385.206)	(3.163.330)
Deferred tax liability	12.596.024	16.826.938
	10.210.818	**14.951.111**

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

Deferred taxation
The Company recognizes deferred tax assets and liabilities based upon temporary differences between its financial statements as reported for IAS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IAS and tax purposes. The movement of deferred taxation is given below:

	Cumulative temporary difference		Deferred tax	
	2007	**2006**	**2007**	**2006**
Deferred tax asset				
Warranty expense provision	6.294.422	5.841.913	1.258.884	1.752.574
Retirement pay provision	3.150.070	2.691.147	630.014	807.344
Unearned interest on receivables	113.141	--	22.628	--
Allowance for diminution in value of inventories	1.773.221	890.317	354.644	267.095
Finance lease liabilities	129.119	4.239	25.824	1.272
Other	466.066	1.116.819	93.212	335.045
			2.385.206	**3.163.330**
Deferred tax liability				
Temporary differences arising from restating non-monetary assets	60.836.303	54.781.274	12.167.261	16.434.382
Unearned interest on payables	2.133.471	1.308.515	426.694	392.556
Other	10.346	--	2.069	--
			12.596.024	**16.826.938**
Deferred tax liability, net			**10.210.818**	**13.663.608**

Deferred income taxes are calculated using a principal tax rate of 20% (2006:30%).

A reconciliation of the deferred tax expense is as follows:

Opening balance as of 1 January	13.663.608	12.259.438
Deferred tax charge (income) for the year	(3.452.790)	1.404.170
Closing balance as of 31 December	**10.210.818**	**13.663.608**

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

15. RESERVE FOR RETIREMENT PAY

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum termination indemnities to each eligible employee who has completed one year of service with the Company, and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

The amount of indemnity is the equivalent of one month's salary for each year of service subject to a ceiling which is YTL 2.030,19 as of 31 December 2007 (2006: YTL 1.857,4) on historical cost basis).

The Company has no other obligation for employee termination other than the retirement pay above.

In the accompanying financial statements, the Company reflected a liability for termination benefits based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted to present value at the balance sheet date by using average market yield, expected inflation rates and an appropriate discount rate. The principal actuarial assumptions used were as follows:

	2007	**2006**
Discount rate	11%	11%
Average yields	6%	6%

Movements of the reserve for retirement pay during the years are as follows:

Opening balance as of 1 January	**2.691.147**	**2.291.625**
Charge for the year	1.654.102	1.160.626
Disposal	(1.195.179)	(761.104)
Closing balance	**3.150.070**	**2.691.147**

Number of personnel employed at year end	2.993	2.953
Number of sub-contracted personnel employed at year end	1.966	1.200
Total	**4.959**	**4.153**

Cost of personnel employed	57.090.812	54.395.196
Key personnel salaries and other short term benefits	1.961.937	1.475.872
Cost of sub-contracted personnel	22.473.574	15.301.401
Total	**81.526.323**	**71.172.469**

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

16. SHARE CAPITAL

The authorized and paid-in capital of the Company was YTL 190.000.000 consisting of 190.000.000 ordinary shares of par value YTL 1 each at 31 December 2007 and 2006.

As of the balance sheet dates the shareholders of the Company and their percentage shareholdings were as follows:

	Shareholding %		**Shareholding amount**	
	2007	**2006**	**2007**	**2006**
Vestel Elektronik Sanayi ve Ticaret A.Ş.	72,6%	72,6%	137.999.993	137.999.993
Shares held by public	27,4%	27,4%	52.000.000	52.000.000
Other	0,0%	0,0%	7	7
Share capital			190.000.000	190.000.000
Inflation adjustment of share capital			15.720.137	15.720.137
Restated share capital			**205.720.137**	**205.720.137**

(All amounts in New Turkish Lira (“YTL”) unless indicated otherwise.)

17. COMMITMENTS AND CONTINGENCIES

a) Contingent asset

As of the balance sheet dates letters of guarantee obtained from customers and suppliers is shown below:

	2007	2006
Letters of guarantee	4.484.395	11.043.101
Cheques and notes	6.543.762	6.028.809
Mortgages	1.000.000	--

b) Contingent liabilities

- As of 31.12.2007, the Company has contingent liabilities amounting to YTL 5.511.498 (31.12.2006 : YTL 10.275.565) in respect of bank loans, letters of credit and other guarantees arising in the ordinary course of business.
- Due to the export and investment incentive certificates obtained for tax purposes, the Company has committed to realize exports amounting to USD 306.235.351 (31.12.2006: USD 172.179.960) as of 31.12.2007.
- The payment of VAT on certain export sales may be postponed and later cancelled by the tax office subject to clearance of certain routine formalities in due course. Responsibility of the Company continues until such clearance however no liability has arisen in the past and no liability is reasonably expected for the future. As of 31.12.2007, the amount of VAT is YTL 33.108.018 (31.12.2006: YTL 36.312.091).
- The Company signed credit agreement with Vakıflar Bankası for USD 100 million. Group companies and the majority shareholders of the Company were beneficiaries of and guarantors to the agreement.
- Vestel Elektronik Sanayi ve Ticaret A.Ş. (majority shareholder of the Company) is a guarantor for a loan of EUR 9.000.000 obtained by the Company in June 2003 (note 6).
- The Company is the guarantor in favour of Vestel Elektronik Sanayi ve Ticaret A.Ş. for bank borrowings amounting to YTL 30.000.000 and USD 50.000.000.
- The Company has given payment guarantee to various suppliers in favour of Vestel Holland B.V.
- The Company is the guarantor for a murabaha agreement obtained from HSBC Bank Plc centred in London (Including HSBC Amanah Finance located in Dubai and HSBC Bank A.Ş. located in Istanbul) in favour of Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş. (“ Vestel Pazarlama”) amounting to USD 80.000.000. As of 31.12.2007 Vestel Pazarlama used USD 60.000.000 in relation to this agreement.
- In accordance with the board of directors’ decision dated 22 June 2007, the Company is the guarantor for the bank loans have been borrowed by Vestel Elektronik Sanayi ve Ticaret A.Ş. from Türkiye Garanti Bankası A.Ş. amounted to YTL 13.000.000 and USD 60.000.000.
- A lawsuit has been initiated against the Company by a company which is engaged in the production of household appliances for the invalidity of the patent certificate. The Company has initiated a counter law suit with a claim to cancel the patent certificate from the related registry and invalidity of the same. The law-suit is still pending and at the stage of expert evaluation. The Company does not believe that this litigation will have a material adverse effect on the results of operation or financial condition of the Company.
- The value of executive proceeding lawsuits opened against the Company YTL 3.161, consumer lawsuits YTL 18.517 and the value of lawsuits which have been finalized in favour of the Company amounted YTL 213.539.
- As of the balance sheet dates operational lease commitments are shown below:

Less than one year	139.181	9.960
More than one year and less than four years	199.803	--
	338.984	**9.960**

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

18. REVENUE

	2007	2006
Total sales – VOLUME		
Refrigerator	2.368.052	2.242.833
Air conditioning unit	266.552	237.449
Washing machine	1.539.023	1.423.953
Cooker	560.033	364.624
Dishwasher	50.722	--
Total sales – YTL		
Domestic sales	367.821.163	423.345.012
Overseas sales	799.949.693	694.602.533
Other domestic sales	11.567.604	4.853.834
Gross sales	1.179.338.460	1.122.801.379
Sales returns and discounts (-)	(802.381)	(601.735)
	1.178.536.079	**1.122.199.644**

Gross sales per geographical segment is given below:

Turkey	379.388.767	428.198.846
Europe	642.761.464	580.657.965
Other	157.188.229	113.944.568
	1.179.338.460	**1.122.801.379**

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

19. COST OF SALES

	2007	2006
Total production - VOLUME		
Refrigerator	2.359.729	2.174.527
Air conditioning unit	280.843	214.913
Washing machine	1.579.037	1.451.017
Cooker	579.822	390.513
Dish washer	54.222	--
Cost – YTL		
Direct materials used	963.642.335	834.881.727
Direct labour	57.375.287	50.452.320
General overhead	45.169.565	38.152.836
Depreciation and amortization charge	37.936.099	33.300.676
Cost of goods produced	**1.104.123.286**	**956.787.559**
Changes in semi-finished goods		
Opening inventory	7.774.695	5.610.385
Closing inventory	(4.861.539)	(7.774.695)
Changes in finished goods		
Opening inventory	29.775.588	36.175.536
Closing inventory	(40.205.419)	(29.775.588)
Cost of goods sold	**1.096.606.611**	**961.023.197**
Purchased during the period	(1.421.582)	4.589.658
Opening merchandise inventory	3.279.561	78.592
Closing merchandise inventory	(6.624)	(3.279.561)
Cost of merchandise sold	**1.851.355**	**1.388.689**
Cost of sales	**1.098.457.966**	**962.411.886**

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

20. OTHER INCOME, net

	2007	**2006**
Profit on sale of property plant and equipment	137.086	1.109.480
Grant received	9.001.074	6.433.436
Other	678.707	1.864.115
Other income	**9.816.867**	**9.407.031**
Idle capacity depreciation expenses	(1.215.976)	(458.540)
Provision for inventories	(882.904)	(487.263)
Loss on sale of property plant and equipment	(85.352)	(51.599)
Other	(605.583)	(276.539)
Other expense	**(2.789.815)**	**(1.273.941)**
Other income (expense), net	**7.027.052**	**8.133.090**

Grant received is related to reimbursements made by the Directorate for Technology Follow up and Evaluation ("TEYDEB") mainly for automated washing machine development project carried out by the Company.

Idle capacity expenses is related to unused capacity and pre-operation expenses for the new cooker and refrigerator factories which commenced their operations in year 2007 and 2006.

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

21. FINANCING INCOME AND FINANCING EXPENSE

	2007	2006
Foreign exchange gain	53.952.788	11.878.918
Interest income from bank deposits	3.223.024	4.196.941
Interest income from term sales	14.609.990	16.443.062
Unearned interest on trade payables	15.228.722	11.981.413
Financing income	**87.014.524**	**44.500.334**
Foreign exchange loss	(12.993.277)	(34.743.294)
Bank loans interest expense	(8.121.621)	(18.395.761)
Interest expense from term purchases	(732.975)	(3.990.298)
Letters of credit expenses	(4.355.050)	(4.502.446)
Finance lease interest expense	(402.238)	(425.253)
Bank commission expenses	(168.035)	(10.008)
Unearned interest on trade receivables	(7.187.904)	(19.406.423)
Other financial expenses	(524.629)	(694.780)
Financing expense	**(34.485.729)**	**(82.168.263)**
Financing income (expense), net	**52.528.795**	**(37.667.929)**

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

22. RELATED PARTY DISCLOSURE

In the course of conducting its business, the Company conducted various business transactions with related parties on commercial terms. These comprised the following:

i) Year end balances with related parties are given below:

	2007	2006
Due from related parties		
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	142.150.967	282.044.108
Vestel Digital Üretim A.Ş.	1.191	826.620
Vestel CIS Limited	2.597.629	3.274.529
Vestel Dış Ticaret A.Ş.	92.606.762	70.928.925
Other related parties	633	68.987
	237.357.182	**357.143.169**
Due to related parties		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	3.245.286	2.712.636
Vestel Holland BV	239.080	16.020.098
Zorlu Tekstil ve Ürünleri Pazarlama A.Ş.	291.520	--
Zorlu Holding A.Ş.	106.043	65.494
Other related parties	46.825	9.971
	3.928.754	**18.808.199**

ii) Transactions carried out with related parties are given below:

	Sales	Purchases	Financing income	Financing expense
2007				
Vestel Elektronik Sanayi ve Ticaret A.Ş.	1.903.277	5.941.375	48.280	108.497
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	270.384.104	7.086.443	13.018.804	--
Vestel Dış Ticaret A.Ş.	796.141.571	10.896.098	6.637.591	--
Other related parties	3.529.449	121.533	1.174.105	80.154
	1.071.958.401	**24.045.449**	**20.878.780**	**188.651**
2006				
Vestel Elektronik Sanayi ve Ticaret A.Ş.	462.606	2.789.786	745.061	1.014.950
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	353.397.009	1.806.206	16.246.044	--
Vestel Dış Ticaret A.Ş.	691.300.116	1.486.535	--	6.993.866
Other related parties	5.165.830	977.643	141.021	--
	1.050.325.561	**7.060.170**	**17.132.126**	**8.008.816**

23. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies
The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result both from its operating and investing activities. The Company's risk management is coordinated at its headquarters, in close co-operation with the board of directors, and focuses on actively securing the Company's short to medium term cash flows by minimizing the exposure to financial markets. Long term financial investments are managed to generate lasting returns.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are described below.

Credit risk
The Company's exposure to credit risk is limited to the carrying amount of financial assets recognized at the balance sheet date.

Credit risk concerns the risk that a loss will be suffered by a party due to the reason that the other party to the transaction is unable to meet its obligations.

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180 day and a 360 day lookout period are identified monthly.

The Company continuously monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties.

The Company management considers that all the financial assets shown above under paragraph liquidity risk that are not impaired for each of the reporting dates under review are of good credit quality.

In respect of trade and other receivables, the Company is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Interest rates risk
Interest rate risk arises because changes in interest rates may affect profitability as disclosed in financial statements.

The Company is subject to interest rate risk as a result of differences in balancing off the dates or timing differences related to assets and liabilities maturing or to be subjected to price revision. The Company manages its interest rate risk by applying risk management strategies whereby its strives to balance off the dates of changes in interest rates related to assets and liabilities.

An increase in the variable interest rates related to the borrowings as of 31 December 2007 is not expected to have any material effect on the financial results because the Management of the Company is able to maintain existing loans on the same terms as before or negotiate new loans on the same terms as existing ones.

Foreign currency risk
The majority of the Company's transactions are carried out in Euros and US Dollars. Exposure to currency exchange rates arise from the Company's trade receivables, bank loans and trade payables which are primarily denominated in US Dollars and Euros.

Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The Company manages its currency exposure risk by organizing a balanced distribution between its foreign currency assets and commitments and by matching off the liabilities and receivables and its net currency position.

	USD	**EUR**	**GBP**	**YTL equivalent**
2007				
Cash and cash equivalents	2.513.266	29.858.334	560	53.992.226
Trade receivables	8.015.813	49.554.519	--	94.084.156
Advances given	2.152.758	613.132	790	3.557.733
Total foreign currency assets	12.681.837	80.025.985	1.350	151.634.115
Current borrowings	609.882	13.380.014	--	23.592.830
Non-current borrowings	735	36.468.243	--	62.368.846
Trade payables	75.200.701	51.591.016	7.267	175.834.115
Total foreign currency liabilities	75.811.318	101.439.273	7.267	261.795.791
Foreign currency position, net	**(63.129.481)**	**(21.413.288)**	**(5.917)**	**(110.161.676)**
2006				
Cash and cash equivalents	2.170.768	3.607.073	--	9.729.728
Trade receivables	7.318.026	34.489.745	21.669	74.203.720
Total foreign currency assets	9.488.794	38.096.818	21.669	83.933.448
Current borrowings	9.615.517	11.281.366	--	34.403.021
Non-current borrowings	609.993	31.342.673	--	58.888.365
Trade payables	71.454.915	62.267.301	1.490	215.729.044
Total foreign currency liabilities	81.680.425	104.891.340	1.490	309.020.430
Foreign currency position, net	**(72.191.631)**	**(66.794.522)**	**20.179**	**(225.086.982)**

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

Liquidity risk
Liquidity risk comprises the risk that the Company becomes unable to find its payment requirements.

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30 day projection. Long-term liquidity needs for a 180 day and 360 day lookout period are identified monthly.

Capital risk management
The Company's capital management objectives are:

- ensure the Company's ability to continue as a going concern; and
- to provide an adequate return to shareholders,

by pricing products and services commensurately with the level of risk

The Company monitors capital on the basis of the carrying amount of equity plus its total of current and non current borrowings (net debt) less cash and cash equivalents as presented on the face of the consolidated balance sheet.

The Company sets the amounts of capital in proportion to its overall financing structure i.e. equity and financial liabilities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Company may adjust the amount of dividends paid the shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company's capital to overall or financing ratio developed as follows:

	2007	**2006**
Total borrowings (note 10)	85.966.276	93352669
Less : Cash and cash equivalents (note 4)	74.355.224	12.901.538
Net debt	11.611.052	80.451.131
Total equity	504.458.917	461.453.428
Overall financing	**516.069.969**	**541.904.559**
Capital to overall financing ratio	**98%**	**85%**

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

The estimated fair values of financial instruments have been determined by the Company using available market information, management's judgment and appropriate valuation methodologies. The following disclosure of the estimated fair value of financial instruments is made with the requirements of IAS 32. To the extent relevant and reliable information is available from the financial markets in Turkey the fair value of the financial instruments of the Company is based on such market data. The fair values of the remaining financial instruments of the Company can only be estimated. The estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the Company's financial instruments:

Financial assets
Monetary assets for which fair value approximates carrying value:

-Balances denominated in foreign currencies are translated at year-end exchange rates. The fair value of certain financial assets carried at cost, including cash and due from banks, marketable securities plus the respective accrued interest are considered to approximate their respective carrying values.

-The carrying value of the trade receivables net of provisions for uncollectible are considered to approximate their fair values.

Financial liabilities
Monetary liabilities for which fair value approximates carrying value:

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

-The fair values of long-term bank borrowings which are denominated in foreign currencies and translated at year-end exchange rates are considered to approximate their carrying values.