VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

FINANCIAL STATEMENTS AT 31 DECEMBER 2008 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 2008, 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 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

EREN Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.
Member Firm of Grant Thornton International

Aykut Halit
Partner

İstanbul, 06.03.2009

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
BALANCE SHEETS
AT 31 DECEMBER 2008 AND 2007

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

ASSETS	Note	2008	2007
Current assets			
Cash and cash equivalents	5	119.628	74.355
Trade receivables	6	229.399	233.229
Inventories	7	141.099	153.747
Other assets	8	21.294	17.767
Total current assets		**511.420**	**479.098**
Non-current assets			
Trade receivables	6	163	233
Property, plant and equipment	9	326.818	337.957
Intangible assets	10	11.172	6.205
Other assets		4	--
Deferred tax asset	15	2.769	2.385
Total non-current assets		**340.926**	**346.780**
Total assets		**852.346**	**825.878**

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
BALANCE SHEETS
AT 31 DECEMBER 2008 AND 2007

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

LIABILITIES	**Note**	**2008**	**2007**
Current liabilities			
Borrowings	11	25.269	23.597
Trade payables	12	259.547	207.707
Taxation on income		--	--
Provision for expenses	13	5.172	6.294
Other liabilities	14	4.374	5.706
Total current liabilities		**294.362**	**243.304**
Non-current liabilities			
Borrowings	11	56.199	62.369
Trade payables		1.351	--
Employee termination benefits	16	3.521	3.150
Deferred tax liability	15	13.958	12.596
Total non-current liabilities		**75.029**	**78.115**
EQUITY			
Share capital	17	205.720	205.720
Share premium		109.031	109.031
General reserves		168.204	189.708
Total equity		**482.955**	**504.459**
Commitments and contingencies	18		
Total liabilities and equity		**852.346**	**825.878**

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 2008 AND 2007

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

	Note	2008	2007
Revenue	19	1.259.402	1.178.536
Cost of sales	20	(1.137.094)	(1.098.458)
Gross profit		**122.308**	**80.078**
Research and development expenses		(7.777)	(10.398)
Selling expenses		(26.659)	(30.927)
General and administrative expenses		(14.939)	(16.113)
Other income	22	7.114	9.817
Other expense	22	(4.247)	(2.790)
Operating profit		**75.800**	**29.667**
Financing income	23	81.855	87.015
Financing expense	23	(117.683)	(34.486)
Profit before taxation		**39.972**	**82.196**
Taxation on income	15	(9.975)	(8.454)
Net profit for the year		**29.997**	**73.742**
Basic and fully diluted earnings per share (TL)		**0,16**	**0,39**

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 2008 AND 2007

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

	Share capital	**Share premium**	**General reserves**	**Total equity**
Balance at 01 January 2007	**205.720**	**109.031**	**146.702**	**461.453**
Dividends paid	--	--	(30.736)	(30.736)
Net profit for the year	--	--	73.742	73.742
Balance at 31 December 2007	**205.720**	**109.031**	**189.708**	**504.459**
Dividends paid	--	--	(51.501)	(51.501)
Net profit for the year	--	--	29.997	29.997
Balance at 31 December 2008	**205.720**	**109.031**	**168.204**	**482.955**

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 2008 AND 2007

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

	Note	2008	2007
Net income for the year		**39.972**	**82.196**
Adjustment to reconcile net income to net cash provided from operating activities:			
Depreciation expense	9	45.755	40.369
Amortization charge	10	4.312	982
Provision for employee termination benefits	16	3.696	1.654
Provision for diminution in value of inventories	7	3.269	883
Unearned interest on receivables		(310)	(7.216)
Unearned interest on payables		1.041	(825)
Interest income	23	(3.112)	(3.223)
Interest expense	23	6.677	8.524
Forward income		(3.763)	--
Profit on sale of property, plant and equipments		(3)	(137)
Loss on sale of property, plant and equipments		494	85
Operating profit before changes in working capital		**98.028**	**123.292**
Trade receivables		4.210	118.797
Inventories		9.379	(23.510)
Other assets		232	753
Trade payables		52.150	(49.566)
Other liabilities		(5.779)	(1.009)
Taxes paid		(8.997)	(13.195)
Net cash provided by operating activities		**149.223**	**155.562**
Cash flows from investing activities			
Purchases of property, plant and equipment	9	(35.363)	(45.899)
Purchases of intangible assets	10	(9.279)	(5.011)
Cash received from sale of property, plant and equipments		256	224
Net cash used in investing activities		**(44.386)**	**(50.686)**
Cash flows from financing activities			
Proceeds from borrowings		20.420	29.332
Repayment of borrowings		(25.146)	(37.025)
Dividend paid		(51.501)	(30.736)
Interest received		3.112	3.223
Interest paid		(6.449)	(8.217)
Net cash used in financing activities		**(59.564)**	**(43.423)**
Net increase in cash and cash equivalents		**45.273**	**61.453**
Cash and cash equivalents at beginning of year		**74.355**	**12.902**
Cash and cash equivalents at end of year		**119.628**	**74.355**

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

2.1. Basis of preparation

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").

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

2.2 Measurement currency, reporting currency

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.
According to the law numbered 5083 related to the currency of Republic of Turkey and the decision of the Council of Ministers dated 04.04.2007 numbered 2007/11963 the expression of "new" has been cancelled on New Turkish Lira and New Kurush effective from 01.01.2009. After this conversion 1 New Turkish Lira is held equal to 1 Turkish Lira and 1 New Kurush is held equal to 1 Kurush. All laws, legislations, administrative and legal transactions, court decisions, commercial papers and all kind of documents referencing New Turkish Lira will be considered in Turkish Lira with the conversion rate mentioned above. Beginning from 01.01.2009, in the presentation of financial statements New Turkish Lira has been replaced by Turkish Lira. In the attached financial statements, this conversion has been made retrospectively for convenience purposes.

2.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Interpretations effective in January 2008 but not relevant:

- IFRIC 11, "IFRS 2 – Group and treasury share transactions"
- IFRIC 12, "Service concession arrangements"
- IFRIC 13, "Customer loyalty programmes"
- IFRIC 14, "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction"

(a) Standards, amendments and interpretations effective in January 2009 but not early adopted by the Company:

- IFRIC 15, "Agreements for construction of real estates"
- IFRIC 16, "Hedges of a net investment in a foreign operation"
- IAS 1 (Revised), "Presentation of financial statements"
- IAS 23 (Amendment), 'Borrowing costs", Capitalisation of Borrowing Costs
- IAS 32 (Amendment), "Financial instruments: Presentation", and IAS 1 (Amendment), "Presentation of financial statements" – "Puttable financial instruments and obligations arising on liquidation"
- IAS 39 (Amendment), "Financial instruments: Recognition and measurement"
- IFRS 1 (Amendment), "First time adoption of IFRS"
- IFRS 2 (Amendment), "Share-based payment"
- IFRS 8 "Operating segments"

(b) Standards, amendments and interpretations effective in July 2009 but not early adopted by the Company:

- IAS 27 (Revised), "Consolidated and separate financial statements"
- IAS 28 (Amendment), "Investments in associates"
- IAS 31 (Amendment), 'Interests in joint ventures"
- IFRS 3 (Revised), "Business combinations"
- IFRS 5 (Amendment), "Non-current assets held-for-sale and discontinued operations"

Management of the Company anticipates that all of the pronouncements detailed in (a) and (b) above will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Management of the Company has decided that these new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

2.4 Comparable financial information and reclassification of prior period financial statements

The balance sheets with the accompanying notes as of 31.12.2008 and 2007 and statement of income, cash flow and changes in equity with the accompanying notes for the twelve months period ended 31.12.2008 and 2007 are presented as comparatively.

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

2.5 Critical accounting estimates, assumptions and judgments

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.

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date and the significant judgments with the most significant effect on amounts recognized in the financial statements are set out below:

- When setting aside the provision for legal claims the probability of loosing the related case and the results to expect to be suffered in the event that the legal counsel of the Company and management of the Company make their best estimates to calculate the provision required under note 18.

- As for the diminution in value of stocks, all stocks are subjected to review and their usage possibility ascertained on basis of the opinion of the technical personnel; provisions are set aside for items expected not to have usage possibility. Calculation of net realizable values of stocks is based on selling prices as disclosed by selling price lists after deduction for average discounts given during the year and selling expenses to be incurred for the realization of stocks. If the net realizable value of any stock falls under its cost price appropriate provisions are therefore set aside.

- Property, plant and equipment and intangible assets held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The Company estimates that the useful lives of tangible and intangible assets. Depreciation is charged using the straight line basis over the useful lives which depend on the best estimation of the management. Useful lives of property, plant and equipment and intangible assets are reviewed at each balance sheet dates and make changes if necessary.

2.6 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.

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

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 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 2008 and 2007, the foreign exchange rates used by the Company are as follows:

	2008	**2007**
US Dollar	1,5123	1,1647
EUR	2,1408	1,7102

Property, plant and equipment depreciation
Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost, restated in equivalent purchasing power at 31 December 2005 less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The carrying values of property, plant and equipment are reviewed for impairment 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 recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Property, plant and equipment in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any identified impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight line basis over the following years stated below:

	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.

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.

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.

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.

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.

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.

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

4. EARNING PER SHARE

	2008	2007
Shares outstanding at beginning of year	190.000.000	190.000.000
New shares issued	--	--
Shares outstanding at end of year	**190.000.000**	**190.000.000**
Net profit attributable to shareholders	29.997	73.742
Weighted average number of ordinary shares in issue	190.000.000	190.000.000
Basic and diluted earnings per share (TL)	**0,16**	**0,39**

5. CASH AND CASH EQUIVALENTS

Cash in hand	70	35
Cash at banks		
- Demand deposit	15.313	443
- Time deposits	104.245	73.877
	119.628	**74.355**

As of balance sheet dates, the maturity of time deposits was 05.01.2009 (31.12.2007: 07.01.2008) and the interest rate is given below:

- TL	15,00%	18,25%-18,65%
- USD	1% - 4%	4,5%-5,30%
- EUR	3% - 4,3%	4%-4,95

6. TRADE RECEIVABLES

Current		
- Third parties	955	754
- Related parties, note 25	140.658	95.206
Notes receivable		
- Related parties, note 25	92.415	142.151
Others	--	7
	234.028	238.118
Unearned interest on receivables (-)	(4.629)	(4.889)
	229.399	**233.229**

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

7. INVENTORIES

	2008	2007
Raw materials	99.777	101.688
Work in process	5.725	4.862
Finished goods	40.294	40.205
Merchandise	35	7
Spares and supplies	310	175
Goods in transit	--	8.583
	146.141	155.520
Provision for diminution in value (-)		
Raw materials	(4.582)	(1.152)
Finished goods	(460)	(621)
	141.099	**153.747**

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

Beginning balance	(1.773)	(890)
Charge for the period	(3.269)	(883)
Closing balance	**(5.042)**	**(1.773)**

As of 31.12.2008, inventories were insured for TL 241.968 (31.12.2007: TL 186.352).

8. OTHER ASSETS

Prepaid expenses	1.533	1.502
VAT receivable	12.566	15.512
Due from personnel	45	127
Prepaid taxes	2.991	516
Other	4.159	110
	21.294	**17.767**

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

9. PROPERTY, PLANT AND EQUIPMENT

	01.01.2008	Additions	Disposals	Transfers	31.12.2008
Cost					
Land	6.844	--	--	--	6.844
Land improvements	2.693	18	(3)	3	2.711
Buildings	62.454	394	(6)	666	63.508
Leasehold improvements	1.072	212	--	223	1.507
Machinery and equipment	416.833	8.196	(1.520)	22.197	445.706
Motor vehicles	578	--	--	--	578
Furniture and fixtures	14.824	1.580	(452)	629	16.581
Construction in progress and advances given	10.375	24.963	--	(23.718)	11.620
	515.673	**35.363**	**(1.981)**	**--**	**549.055**
Accumulated depreciation					
Land improvements	1.143	160	(1)	--	1.302
Buildings	13.761	2.376	(1)	--	16.136
Leasehold improvements	401	354	--	--	755
Machinery and equipment	155.002	40.351	(821)	--	194.532
Motor vehicles	269	112	--	--	381
Furniture and fixtures	7.140	2.402	(411)	--	9.131
	177.716	**45.755**	**(1.234)**	**--**	**222.237**
Net book value	**337.957**				**326.818**

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

	01.01.2007	Additions	Disposals	Transfers	31.12.2007
Cost					
Land	6.844	--	--	--	6.844
Land improvements	2.693	--	--	--	2.693
Buildings	58.166	231	--	4.057	62.454
Leasehold improvements	868	201	--	4	1.072
Machinery and equipment	360.972	2.271	(404)	53.993	416.833
Motor vehicles	556	44	(22)	--	578
Furniture and fixtures	12.412	1.602	(3)	814	14.824
Construction in progress and advances given	28.335	41.554	--	(59.514)	10.375
	470.846	**45.903**	**(429)**	**(646)**	**515.673**
Accumulated depreciation					
Land improvements	983	160	--	--	1.143
Buildings	11.507	2.254	--	--	13.761
Leasehold improvements	179	222	--	--	401
Machinery and equipment	119.769	35.479	(246)	--	155.002
Motor vehicles	166	112	(10)	--	269
Furniture and fixtures	4.998	2.143	(1)	--	7.140
	137.602	**40.370**	**(257)**	**--**	**177.716**
Net book value	**333.244**				**337.957**

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 TL 17.744 net of accumulated depreciation. (2007: TL 24.016).

As of 31 December 2008, property, plant and equipment were insured for TL 548.777 (2007: TL 292.597).

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

10. INTANGIBLE ASSETS

	01.01.2008	Additions	Transfers	31.12.2008
Cost				
Rights	6.625	--	--	6.625
Development cost	10.762	8.997	--	19.759
Other	1.012	282	--	1.294
	18.399	**9.279**	**--**	**27.678**
Accumulated amortization				
Rights	6.604	18	--	6.622
Development cost	5.003	4.022	--	9.025
Other	587	272	--	859
	12.194	**4.312**	**--**	**16.506**
Net book value	**6.205**			**11.172**

	01.01.2007	Additions	Transfers	31.12.2007
Cost				
Rights	6.625	--	--	6.625
Development costs	5.235	4.882	645	10.762
Other	882	130	--	1.012
	12.742	**5.012**	**645**	**18.399**
Accumulated amortization				
Rights	6.499	105	--	6.604
Development costs	4.374	629	--	5.003
Other	338	249	--	587
	11.211	**983**	**--**	**12.194**
Net book value	**1.531**			**6.205**

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 thousands Turkish Lira ("TL") unless indicated otherwise.)

11. BORROWINGS

	2008	2007
Current		
Turkish Lira bank loans	--	5
Foreign currency bank loans	25.268	22.710
Finance lease liabilities, net	1	882
	25.269	**23.597**
Non-current		
Foreign currency bank loans	56.199	62.368
Finance lease liabilities, net	--	1
	56.199	**62.369**

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 31.12.2008, the Company's borrowings under these facilities included a short term payable of TL 22.632 (31.12.2007: TL 18.487) and long term payable of TL 56.199 (31.12.2007: TL 60.444). 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 31.12.2008 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 2008, the remaining principal amount outstanding is EUR 1.125.000 (TL 2.408). 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	25.268	22.715
One to two years	19.510	19.663
Two to three years	14.907	15.244
Three to four years	8.196	11.568
Four to five years	4.999	6.207
Over five years	8.587	9.686
	81.467	**85.083**

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

12. TRADE PAYABLES

	2008	2007
Current accounts		
- Third parties	257.384	205.912
- Related parties, note 25	3.231	3.929
Other	25	--
	260.640	209.841
Unearned interest on payables (-)	(1.093)	(2.134)
	259.547	**207.707**

13. PROVISION FOR EXPENSES

Warranty provision	4.997	6.294
Expense accruals	175	--
	5.172	**6.294**

	Warranty expense	Expense accruals
Beginning balance	**6.294**	**--**
Charge for the period	(1.297)	175
Closing balance	**4.997**	**175**

14. OTHER LIABILITIES

Income tax and social security payables	2.694	3.803
Advances received	5	211
Due to personnel	1.666	1.454
Other	9	238
	4.374	**5.706**

(All amounts in thousands Turkish Lira (“TL”) unless indicated otherwise.)

15. TAXATION ON INCOME

a. Current taxation

	2008	2007
Current	(8.997)	(11.907)
Deferred	(978)	3.453
Taxation on income	**(9.975)**	**(8.454)**

In Turkey, the corporation tax rate on the profits for the calendar year 2008 is 20% (2007: 20%). 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 dividend to individuals and non-resident companies are subject to withholding at the rate of 15%.

In Turkey, the tax legislation does not permit a parent company and its affiliates to file a consolidated tax return. Therefore, provision for taxation charge, as reflected in the accompanying consolidated financial information, has been calculated on a separate-entity basis.

In Turkey 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. Accordingly, 75% of profits from the sale of investments and immovable held for a minimum of two years will be tax exempt provided the sale proceeds are collected within two years and 75% of the profit is added to share capital or is kept in a special reserve account for a minimum of five years.

In Turkey companies were allowed to deduct 40% of the value of fixed assets (exceeding TL 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. 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; if this option is exercised the balance of taxable profit after deduction of investment allowances is to be taxed at 30%.

In Turkey tax losses that are reported in the Corporation Tax in Turkey return may 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 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.

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

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

	2008	**2007**
Profit before tax	39.972	82.196
Income not subject to tax	(31)	(13.019)
Tax effect of permanent differences and valuation allowances, net	10.680	(6.148)
Research and development allowances	(4.259)	(1.787)
Expenses not deductable for tax purposes	3.513	3.803
Effect on deferred tax balances due to the change in income tax rate from 30% to 20% (effective 01.01.2007)	--	(22.773)
Income subject to taxation	49.875	42.272
Tax calculated at a tax rate of 20% (2007: 20%)	9.975	8.454
Income tax expense	**9.975**	**8.454**

The Company's prepaid income and Corporation taxes are netted off against the current income tax provision on the balance sheet as stated below:

Corporation and income taxes	8.997	11.907
Prepaid taxes (-)	(8.997)	(11.907)
Corporation and income taxes payable	--	--
Deferred tax asset	(2.769)	(2.385)
Deferred tax liability	13.958	12.596
	11.189	**10.211**

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

b. 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**	
	2008	**2007**	**2008**	**2007**
Deferred tax asset				
Warranty expense provision	4.997	6.294	999	1.259
Employee termination benefits	3.521	3.150	704	630
Unearned interest on receivables	69	113	14	23
Provision for diminution in value of inventories	5.041	1.773	1.008	355
Finance lease liabilities	--	129	--	26
Other	220	466	44	92
			2.769	**2.385**
Deferred tax liability				
Temporary differences arising from restating non-monetary assets	64.915	60.836	12.983	12.167
Unearned interest on payables	1.114	2.133	223	427
Other	3.763	10	752	2
			13.958	**12.596**
			11.189	**10.211**

Deferred income taxes are calculated using a principal tax rate of 20% (2007:20%).

A reconciliation of the deferred tax expense is as follows:

	2008	**2007**
Opening balance	10.211	13.664
Deferred tax (income) charge	978	(3.453)
Closing balance	**11.189**	**10.211**

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

16. EMPLOYEE TERMINATION BENEFITS

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 TL 2.173,19 as of 31 December 2008 (2007: TL 2.030,19) 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:

	2008	**2007**
Discount rate	12%	11%
Average yields	5%	6%

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

Opening balance as of 1 January	**3.150**	**2.691**
Charge for the year	3.696	1.654
Disposals	(3.325)	(1.195)
Closing balance	**3.521**	**3.150**

Number of personnel employed at the year end:	3.404	2.993
Number of sub-contracted personnel at year end:	--	1.966
	3.404	**4.959**

Personnel cost:

Personnel cost	61.992	59.053
Sub-contracted personnel cost	16.546	22.474
	78.538	**81.527**

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

17. SHARE CAPITAL

The authorized and paid-in capital of the Company was TL 190.000 consisting of 190.000.000 ordinary shares of par value TL 1 each at 31 December 2008 and 2007.

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

	Shareholding %	Shareholding amount
Vestel Elektronik Sanayi ve Ticaret A.Ş.	72,6%	138.000
Shares held by public	27,4%	52.000
Share capital		190.000
Inflation adjustment of share capital		15.720
Restated share capital		**205.720**

18. COMMITMENTS AND CONTINGENCIES

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

	2008	2007
Letters of guarantee	2.797	4.484
Cheques and notes	5.597	6.544
Mortgages	1.000	1.000

b) Contingent liabilities

- As of 31.12.2008, the Company has contingent liabilities amounting to TL 6.835 (31.12.2007 : TL 5.511) 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 128.637 thousand (31.12.2007: USD 306.235) as of 31.12.2008.
- 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 31.12.2008, the amount of VAT is TL 28.383 (31.12.2007: TL 33.108).
- 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 thousand 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 TL 30.000, EUR 50.000 thousand, JPY 473.000 thousand and USD 100.000 thousand.
- The Company has given payment guarantee to various suppliers in favour of Vestel Holland B.V.

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

- The Company is the guarantor in favour of Vestel Pazarlama and Vestel Elektronik Sanayi ve Ticaret A.Ş. for bank borrowings obtained from ABN AMRO Bank.
- The Company is the guarantor in favour of Vestel CIS Ltd and Vestel Trade Ltd. for bank borrowings obtained from Citibank A.Ş.
- The Company is the guarantor for bank borrowings obtained from Finansbank A.Ş. amounting to USD 83.000 thousand.
- The Company is the guarantor in favour of Vestel Dış Ticaret A.Ş. for bank borrowings obtained from Finansbank A.Ş. amounting to EUR 4.700 thousand.
- In accordance with the board of directors' decision dated 14 November 2008, the Company is the guarantor for the bank loans have been / to be borrowed by Vestel Holland B.V. and Vestel Dayanıklı Tüketim Malları A.Ş from ABN AMRO Bank A.Ş. amounted to EUR 26 million and USD 30 million, respectively.
- The Company is the guarantor for a murabaha agreement obtained from HSBC Bank Plc centered 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 thousand. As of 31.12.2008 Vestel Pazarlama used USD 60.000 thousand 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 TL 13.000 and USD 60.000 thousand.
- 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 lawsuit 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 consumer lawsuits TL 90 and the value of lawsuits which have been finalized in favour of the Company amounted TL 265.
- As of the balance sheet dates operational lease commitments are shown below:

Less than one year	256	139
More than one year and less than four years	218	200
	474	**339**

c) Derivatives

As of 31.12.2008, the Company has entered in a forward exchange contract amounting to USD 26.444.700 on a fixed amount EUR 17.000.000. The maturity of forward contract is 01.07.2009.

	Contract amount	Fair value	Gain/(loss)
Forward	36.394	40.156	3.763

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

19. REVENUE

	2008	2007
Total sales – TL		
Domestic sales	415.209	367.820
Overseas sales	834.122	799.950
Other	10.544	11.568
Gross sales	1.259.875	1.179.338
Sales discounts (-)	(473)	(802)
	1.259.402	**1.178.536**

Gross sales per geographical segment is given below:

Turkey	425.753	379.388
Europe	663.975	642.761
Other	170.147	157.189
	1.259.875	**1.179.338**

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

20. COST OF SALES

	2008	2007
Cost		
Direct materials used	982.601	963.642
Direct labour	56.345	57.375
General overhead	50.402	45.170
Depreciation and amortization	46.713	37.936
Cost of goods produced	**1.136.061**	**1.104.123**
Changes in semi-finished goods		
Opening inventory	4.862	7.775
Closing inventory	(5.725)	(4.862)
Changes in finished goods		
Opening inventory	40.205	29.776
Closing inventory	(40.294)	(40.205)
Cost of goods sold	**1.135.109**	**1.096.607**
Purchased during the period	2.013	(1.422)
Opening merchandise inventory	7	3.280
Closing merchandise inventory	(35)	(7)
Cost of merchandise sold	**1.985**	**1.851**
Cost of sales	**1.137.094**	**1.098.458**

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

21. NATURE OF EXPENSES

Nature of expenses consists of cost of sales, research, development, selling, general and administrative expenses.

	2008	**2007**
Direct materials and merchandise expenses	985.395	966.267
Changes in semi-finished goods and finished goods	(952)	(7.516)
Employee and sub-contracted personnel cost	78.538	81.526
Depreciation and amortization	50.067	41.352
Energy expenses	11.289	10.461
Outsourcing expenses	3.578	4.569
Travelling expenses	767	3.490
Consulting expenses	2.685	1.984
Rent expenses	6.152	5.202
Sales commission expenses	11.775	13.803
Office expenses	2.239	1.844
Insurance expenses	6.613	6.826
Employee termination benefit	3.325	1.195
Taxes paid	1.720	1.671
Other	23.278	23.222
	1.186.469	**1.155.896**

22. OTHER INCOME AND EXPENSE

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 2008 and 2007.

Profit on sale of property, plant and equipment	3	137
Grant income	2.929	9.001
Other	4.182	679
Other income	**7.114**	**9.817**
Idle capacity depreciation expenses	--	1.216
Provision for diminution in value of inventories	3.269	883
Loss on sale of property, plant and equipment	494	85
Other	484	606
Other expense	**4.247**	**2.790**

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

23. FINANCING INCOME AND FINANCING EXPENSE

	2008	2007
Foreign exchange gain	62.342	53.953
Interest income from bank deposits	3.112	3.223
Interest income from term sales	4.599	14.610
Forward gains	3.763	--
Unearned interest on payables	8.039	15.229
Financing income	**81.855**	**87.015**

Foreign exchange loss	94.726	12.993
Bank loans interest expense	6.656	8.122
Interest expense from term purchases	222	733
Letters of credit expenses	6.665	4.355
Finance lease interest expense	21	402
Bank commission expenses	84	168
Unearned interest on receivables	8.730	7.188
Other	579	525
Financing expense	**117.683**	**34.486**

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

24. 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:

Related party	Due from related parties	Due to related parties
2008		
Current		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	--	2.974
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	97.798	--
Vestel CIS Limited	4.903	--
Vestel Dış Ticaret A.Ş.	129.875	--
Other related parties	497	257
	233.073	**3.231**
2007		
Current		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	--	3.245
Vestel Holland BV	--	239
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	142.151	--
Vestel CIS Limited	2.598	--
Vestel Dış Ticaret A.Ş.	92.607	--
Other related parties	1	445
	237.357	**3.929**

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

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

	Sales	**Purchases**	**Financing income**	**Financing expense**
2008				
Vestel Elektronik Sanayi ve Ticaret A.Ş.	14.302	7.536	6.128	186
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	299.128	1.490	31	15
Vestel Dış Ticaret A.Ş.	825.228	12.620	33.947	9.062
Other related parties	8.701	68	2	1
	1.147.359	**21.714**	**40.108**	**9.264**
2007				
Vestel Elektronik Sanayi ve Ticaret A.Ş.	1.903	5.941	48	--
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	270.384	7.086	13.019	--
Vestel Dış Ticaret A.Ş.	796.142	10.896	6.638	--
Other related parties	3.529	122	1.174	189
	1.071.958	**24.045**	**20.879**	**189**

As of the balance sheet dates, key personnel's salaries and other short term benefits are amounted to 1.900 TL (31.03.2008: 1.962 TL).

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

25. 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 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.

	Receivables						
	Trade receivables		Other receivables				
2008	**Related parties**	**Other parties**	**Related parties**	**Other parties**	**Bank amounts**	**Derivatives**	**Other**
Maximum exposure to credit risk as of 31.12.2008 (A+B)	**228.624**	**938**	**--**	**12.636**	**119.558**	**39.992**	**69**
- Secured portion of maximum credit risk with collateral *	--	2.000					
A. Carrying amount of financial assets that are not overdue and not impaired	228.622	887	--	12.636	119.558	39.992	69
C. Carrying amount of assets that are overdue but not impaired	2	51	--	--	--	--	--
- Carrying amount secured with collateral	--	1.000	--	--	--	--	--

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

	Receivables						
	Trade receivables		Other receivables				
2007	**Related parties**	**Other parties**	**Related parties**	**Other parties**	**Bank amounts**	**Derivatives**	**Other**
Maximum exposure to credit risk as of 31.12.2007 (A+B)	**232.713**	**741**	**--**	**15.753**	**74.320**	**--**	**36**
- Secured portion of maximum credit risk with collateral *	--	500	--	--	--	--	--
A. Carrying amount of financial assets that are not overdue and not impaired	232.711	741	--	15.753	74.320	--	36
B. Carrying amount of assets that are overdue but not impaired	2	--	--	--	--	--	--

	Receivables	
	Trade receivables	**Other receivables**
2008		
Not more than 30 days	33	--
Within 1 month to 3 months	13	--
Within 3 months to 12 months	7	--
	53	**--**
2007		
Not more than 30 days	2	--
Within 1 month to 3 months	--	--
Within 3 months to 12 months	--	--
	2	**--**

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

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.

	2008	**2007**
Fixed interest rate financial instruments		
Financial assets-time deposits	104.245	73.876
Financial liabilities	--	--
Variable interest rate financial instruments		
Financial assets	81.468	85.966
Financial liabilities	--	--

As of balance sheet dates, the Company's annual effective interest rates are as follows:

2008 (%)	**USD**	**EUR**	**TL**
Assets			
Cash and cash equivalents	2,5	3,7	14,9
Trade receivables	1,1	2,6	15,7
Liabilities			
Borrowings	--	4,3	--
Trade payables	1,2	2,7	15,9

2007 (%)	**USD**	**EUR**	**TL**
Assets			
Cash and cash equivalents	4,9	4,5	18,4
Trade receivables	4,5	4,2	15,8
Liabilities			
Borrowings	--	5,2	--
Trade payables	4,4	4,7	14,7

All other variables are held constant ,if the interest rate applied to the Company increase/decrease by 1 point as of 31 December 2008, net income will increase/(decrease) by 37.122 TL (31 December 2007: 87.992 TL)

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.

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

The breakdown of liabilities according to their contractual maturity is based on the maturity dates from the date of the balance sheet is given below:

2008	Book value	Total cash out flow	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years
Contractual maturities						
Borrowings	81.467	81.467	4.839	20.429	47.612	8.587
Finance lease liabilities	1	1	--	1	--	--
	81.468	**81.468**	**4.839**	**20.430**	**47.612**	**8.587**
Derivative cash inflow	33.060	40.156	--	40.156	--	--
Derivative cash outflow	(33.060)	(36.394)	--	(36.394)	--	--
	--	**3.762**	**--**	**3.762**	**--**	**--**
Expected maturities						
Trade payables	260.898	260.898	120.056	139.492	1.351	--
Other liabilities	9.546	9.546	4.374	5.172	--	--
	270.444	**270.444**	**124.430**	**144.664**	**1.351**	**--**

2007	Book value	Total cash out flow	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years
Contractual maturities						
Borrowings	85.082.998	85.082.998	4.999.592	17.715.416	52.680.810	9.687.180
Finance lease liabilities	883.278	883.278	457.793	424.629	856	--
	85.966.276	**85.966.276**	**5.457.385**	**18.140.045**	**52.681.666**	**9.687.180**
Expected maturities						
Trade payables	207.707.332	207.707.332	135.142.561	72.564.771	--	--
Other liabilities	12.000.225	12.000.225	5.476.878	6.523.347	--	--
	219.707.557	**219.707.557**	**140.619.439**	**79.088.118**	**--**	**--**

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

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 debt to overall or financing ratio developed as follows:

	2008	**2007**
Total borrowings	81.468	85.966
Less: Cash and cash equivalents	(119.628)	(74.355)
Net debt	**(38.160)**	**11.611**
Total equity	482.955	504.459
Overall financing	**444.795**	**516.070**
Net debt to overall financing ratio	**-9%**	**2%**

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

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**	**TL equivalent**
2008				
Cash and cash equivalents	51.969	14.685	3	110.036
Trade receivables	3.181	60.178	--	133.640
Total foreign currency assets	**55.150**	**74.863**	**3**	**243.676**
Current borrowings	1	11.803	--	25.269
Non-current borrowings	--	26.251	--	56.199
Trade payables	84.578	49.813	--	234.547
Total foreign currency liabilities	**84.579**	**87.867**	**--**	**316.015**
Net foreign currency position	**(29.429)**	**(13.004)**	**3**	**(72.339)**
Derivatives				
Assets	26.445	--	--	39.993
Liabilities	--	(17.000)	--	(36.394)
	(2.984)	**(30.004)**	**3**	**(68.740)**

(All amounts in thousands Turkish Lira ("TL") unless indicated otherwise.)

	USD	EUR	GBP	YTL equivalent
2007				
Cash and cash equivalents	2.513	29.858	1	53.992
Trade receivables	8.016	49.555	--	94.084
Advances given	2.153	613	1	3.558
Total foreign currency assets	12.682	80.026	2	151.634
Current borrowings	610	13.380	--	23.593
Non-current borrowings	1	36.468	--	62.369
Trade payables	75.201	51.591	7	175.834
Total foreign currency liabilities	75.812	101.439	7	261.796
Foreign currency position, net	**(63.130)**	**(21.413)**	**(5)**	**(110.162)**

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.