

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş. 2005 ANNUAL REPORT

Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. (Vestel White Goods) was established on 13.11.1997, and started its operations with refrigerator production in the year of 1998, and subsequent to this it continues with its activities with production of air conditioners beginning from the year of 2000, washing machines beginning from the year of 2003, and cooking devices beginning from the year of 2005.

The company has made huge progress since its establishment and experienced strong growth in terms of production, domestic sales and exports. As of today, it carries out its production in its 5 plants.

Our company realizes its domestic sales through Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş., a Vestel Group Company, under Vestel, SEG and Regal brands.

Meanwhile, exports are realized through Vestel Dış Ticaret A.Ş. (Vestel Foreign Trade), another Vestel Group Company. Currently almost 85% of total exports are derived through OEM business. Nevertheless, the Company targets to expand its Vestel branded sales in developing markets in line with the market conditions in the coming years.

The company, currently carrying out its production in five plants in a total closed area of 242.489 square meters, further, makes use of a product warehouse as large as 35.600 square meters.

The company has attained significant growth rates with the investments it has made.

White Goods Sales

TL	2003	2004	2005
Refrigerators	246.818.829,78	347.592.050,45	396.025.097,00
Air Conditioners	68.324.764,84	92.153.069,00	111.514.104,51
Washing Machines	11.104.060,57	169.690.111,23	225.792.253,45
Cookers-Ovens	0	0	10.759.583,04
Other	43.837.870,62	58.406.378,52	68.370.640,82
Total	370.085.525,81	667.841.609,20	812.461.678,82

Total production reached 3,554,918 units in 2005, up by 31.5% YoY. Two new plants, the cooker plant and the second refrigerator plant, which became operational in 2005, had a positive impact on production growth in this period. However, the actual effect of these plants on production should be more immense in 2006 and the following years.

2004 and 2005 turned out to be investment and high growth years as planned previously. In addition to these new plants which became operational in 2005, capacity increase and replacement investments covering all plants were also realized. Some of these investments still continue. Growth should continue increasingly with the dishwasher plant, planned to be operational by the end of 2006, and the drier plant targeted to be built up in the medium-term.

Refrigerators, automatic washing machines, air conditioners, hobs and ovens stand to be the products that are produced and the sales of which are realised by our company. Certain reasons such as, the high economic growth that our country experiences currently, the positive macro economic indicators, the changes experienced in consumption habits of the individuals, and the improvement in quality of living do all give rise to a serious level of growth in the sector each year. The technological development being experienced in the white goods sector make contribution to this aspect as well.

The continuous rise in the needs of the society, and an expectation for a more comfortable and a higher quality life keep the sector continuously in a fresh state and urge it to grow even more. Even though new rivals keep getting into the sector consistently, this fact does not produce a negative effect as a result of the growth experienced in the market and the policy of expansion in export markets.

The company, targeting to increase its exports consistently in line with its business strategy, does not face any difficulty in the international markets either. Many reasons behind the continuing growth in the domestic market are effective in the export markets as well. The Company realizes significant export growth every year in line with its increasing exposure to international markets. Consequently, the financial statements covering the results of the period display this fact explicitly.

In line with the strong performance of the Company in recent years, the market share of each product has reached to a certain level and continues to rise even more. Especially, with the initiation of production at Cooker plant at year-end 2005 and the planned production at dishwasher plant by the end of 2006, the product range should reach to a much more developed level and, accordingly, have a positive impact on the brand.