VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ INFLATION ADJUSTED FINANCIAL STATEMENTS AT DECEMBER 31, 2005, 2004 AND 2003 TOGETHER WITH AUDITORS REPORT

INDEPENDENT PUBLIC ACCOUNTANTS' REPORT OF
VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
FOR THE YEAR ENDED DECEMBER 31, 2005, 2004 AND 2003

To the shareholders and Board of Directors of
Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

We have audited the accompanying balance sheets of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. (the "Company"), a Turkish corporation, at December 31, 2005, 2004 and 2003 and the related statements of income, changes in shareholders' equity and cash flows for the years then ended, all expressed in the equivalent purchasing power of Turkish currency ("YTL") as of December 31, 2005. These financial statements are the responsibility of the Company's management. 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. These standards require us to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company at December 31, 2005, 2004 and 2003 and the results of its operations and cash flows for the years then ended in accordance with International Financial Reporting Standards.

ARKAN & ERGİN Uluslararası Denetim ve Yeminli Mali Müşavirlik AŞ
Member Firm of Grant Thornton International

Aykut HALİT
Partner

Istanbul,
February 20, 2006

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
BALANCE SHEETS
AT DECEMBER 31, 2005, 2004 AND 2003

(Currency: All amounts in New Turkish Lira in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

ASSETS	Note	2005	2004	2003
Current Assets				
Cash and cash equivalents	4	8,376,929	2,725,800	2,435,463
Trade receivables	5	143,664,580	137,194,256	26,312,101
Inventories	6	101,588,396	85,158,101	48,748,743
Other current assets	7	8,554,409	4,025,044	2,946,018
Total Current Assets		**262,184,314**	**229,103,201**	**80,442,325**
Non Current Assets				
Property, plant and equipment, net	8	318,152,005	238,660,907	195,174,342
Intangible assets, net	9	2,513,835	2,919,588	3,474,093
Deferred tax asset	13	4,952,273	8,333,838	15,858,337
Total Non Current Assets		**325,618,113**	**249,914,333**	**214,506,772**
Total Assets		**587,802,427**	**479,017,534**	**294,949,097**

The accompanying notes are an integral part of these statements.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
BALANCE SHEETS
AT DECEMBER 31, 2005, 2004 AND 2003

(Currency: All amounts in New Turkish Lira in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2005	2004	2003
Current Liabilities				
Borrowings	10	20,301,145	17,752,509	9,836,974
Trade payables	11	178,111,187	183,894,855	74,319,589
Taxation on income	13	795,805	12,394,560	--
Other liabilities	12	54,680,841	5,621,998	3,889,092
Total Current Liabilities		**253,888,978**	**219,663,922**	**88,045,655**
Non Current Liabilities				
Borrowings	10	77,377,142	59,638,941	56,577,988
Reserve for retirement pay	14	2,291,625	2,023,490	1,150,080
Other liabilities	12	--	--	21,882,260
Deferred tax liability	13	17,211,711	10,325,845	12,646,310
Total Non Current Liabilities		**96,880,478**	**71,988,276**	**92,256,638**
Shareholders' Equity				
Capital	15	153,720,137	92,419,567	92,419,567
General reserves		33,645,199	22,227,237	(39,339,000)
Net income		49,667,635	72,718,532	61,566,237
Total Shareholders' Equity		**237,032,971**	**187,365,336**	**114,646,804**
Total Liabilities and Shareholders' Equity		**587,802,427**	**479,017,534**	**294,949,097**

The accompanying notes are an integral part of these statements.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

(Currency: All amounts in New Turkish Lira in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

	Note	2005	2004	2003
Net sales	17	810,072,731	731,263,359	448,953,377
Cost of sales	18	(721,566,385)	(611,262,404)	(377,126,248)
Gross Profit		**88,506,346**	**120,000,955**	**71,827,129**
Research and development expenses		(8,247,505)	(5,571,245)	(1,762,129)
Selling expenses		(8,179,317)	(5,505,691)	(3,569,233)
General and administrative expenses		(11,580,374)	(10,519,842)	(5,755,251)
Other income (expense), net	19	(2,219,231)	3,949,289	6,541,568
Operating Income		**58,279,919**	**102,353,466**	**67,282,084**
Financing income (expense), net	20	(1,471,982)	(16,885,760)	(7,661,302)
Monetary gain		3,923,800	4,849,716	9,690,379
Income Before Tax		**60,731,737**	**90,317,422**	**69,311,161**
Taxation				
Current	13	(796,670)	(12,394,856)	--
Deferred	13	(10,267,432)	(5,204,034)	(7,744,924)
Taxation on income		(11,064,102)	(17,598,890)	(7,744,924)
Net Income		**49,667,635**	**72,718,532**	**61,566,237**

The accompanying notes are an integral part of these statements.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

(Currency: All amounts in New Turkish Lira in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

	Capital	General Reserves		Net Income for the year	Total Shareholders' Equity
		Legal Reserves	Undistributed Profit/(Loss)		
Balance at December 31, 2003	**92,419,567**	**--**	**(39,339,000)**	**61,566,237**	**114,646,804**
Transfer	--	309,696	61,256,541	(61,566,237)	--
Net income	--	--	--	72,718,532	72,718,532
Balance at December 31, 2004	**92,419,567**	**309,696**	**21,917,541**	**72,718,532**	**187,365,336**
Capital increase					
- General Reserves	61,300,570	--	(61,300,570)	--	--
Transfer	--	--	72,718,532	(72,718,532)	--
Net income	--	--	--	49,667,635	49,667,635
Balance at December 31, 2005	**153,720,137**	**309,696**	**33,335,503**	**49,667,635**	**237,032,971**

The accompanying notes are an integral part of these statements.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
CASH FLOW STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

(Currency: All amounts in New Turkish Lira in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

	Note	2005	2004	2003
Cash flow provided by operating activities				
Net income		49,667,635	72,718,532	61,566,237
Adjustment to reconcile net income to net cash provided from operating activities:	23	35,811,194	47,891,699	28,026,249
Operating profit before changes in working capital		**85,478,829**	**120,610,231**	**89,592,486**
Changes in operating assets and liabilities	23	19,584,718	(41,335,796)	(19,953,523)
Taxes paid		(12,394,560)	(294)	--
Net cash provided by operating activities		**92,668,987**	**79,274,141**	**69,638,963**
Cash flow from financing activities				
Changes in current borrowings, net		2,133,174	6,865,282	(65,028,115)
Changes in non current borrowings, net		17,738,201	3,060,953	54,287,867
Increase in capital		--	--	30,064,398
Net cash provided by financing activities		**19,871,375**	**9,926,235**	**19,324,150**
Cash flow provided by investing activities				
Purchase of property, plant and equipment, net		(106,496,847)	(66,374,858)	(64,578,566)
Purchase of intangible fixed assets, net		(392,386)	(652,921)	(2,027,794)
Changes in other investing activities	23	--	(21,882,260)	(19,955,517)
Net cash used in investing activities		**(106,889,233)**	**(88,910,039)**	**(86,561,877)**
Net increase in cash and cash equivalents		**5,651,129**	**290,337**	**2,401,236**
Cash and cash equivalents at beginning of year		**2,725,800**	**2,435,463**	**34,227**
Cash and cash equivalents at end of year		**8,376,929**	**2,725,800**	**2,435,463**

The accompanying notes are an integral part of these 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 are 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 outdoor area of 272,000 square meters and indoor area of 149,340 square meters.

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

In accordance with Law No. 5083 in respect of "the Currency of the Turkish Republic" published in the Legal Gazette dated January 31, 2004, numbered 25363, which came into force from January 1, 2005, a new local measurement and reporting currency unit has been introduced. Turkish Lira (TL) currency units formerly used have been converted to New Turkish Lira (YTL) at the rate of 1,000,000 TL= 1 YTL. Both notes and coins of the former (TL) as well as the new currency units (YTL) were in circulation during 2005. According to the resolution of the Capital Markets Board dated November 30, 2004, numbered 47/1566, all financial statements which will be publicly declared as of December 31, 2004 or relating to a prior period (including those with a different fiscal year end or referring to an interim period) and the comparatives presented, must be prepared in terms of YTL. Hence, the accompanying prior year financial statements have been presented on the basis of YTL for comparison purposes only.

The Company adheres to the Turkish Commercial Code ("TCC"), tax regulations and the Uniform Chart of Accounts issued by the Ministry of Finance in keeping its records and preparation of its statutory financial statements. The accompanying financial statements have been prepared on the basis of the Company's statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

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 most recent 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%. The restatement of previous periods in the accompanying financial statements has been based on the conversion factors obtained from the Wholesale Price Indices ("WPI") published by the State Institute of Statistics of Turkey. These indices and the conversion factors are shown below:

(All amounts in New Turkish Lira in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

Year	2005	2004	2003
Index	8,785.7	8,403.8	7,382.1
Conversion factor	1.000	1.045	1.190

The main guidelines for the above mentioned restatement are as follows:

- The financial statements of the prior year, including monetary assets and liabilities reported therein, which were previously reported in terms of the measuring unit current at the end of that year are restated in their entirety to the measuring unit current for the year ended December 31, 2005.

- Monetary assets and liabilities reported in the balance sheet as of December 31, 2005 are not restated because they are already expressed in terms of the monetary unit current at that balance sheet date.

- The inflation adjusted share capital is derived by indexing cash contributions, dividends reinvested, transfers from statutory retained earnings and income from sale of investments and property, transferred to share capital from the date they were contributed and registered so.

- The financial statements of the prior periods are restated with current purchasing power of money at the most recent balance sheet date.

- All items in the income statement are restated by applying the monthly conversion factors except for depreciation, amortization, gain or loss on disposal of non-monetary assets which are calculated based on the restated gross book values and accumulated depreciation or amortization of the related values.

- The effect of general inflation on the net monetary position is included in the income statement as monetary gain (loss).

Restatement of balance sheet and income statement items through the use of a general price index and relevant conversion factors does not necessarily mean that the Company could realize or settle the same values of assets and liabilities as indicated in the balance sheets. Similarly, it does not necessarily mean that the Company could return or settle the same values of equity to its shareholders.

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

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.

The foreign exchange rates used by the Company are as follows:

	2005	**2004**	**2003**
U.S. Dollar	1.3418	1.3421	1.3958
EURO	1.5875	1.8268	1.7451

Property, Plant and Equipment Depreciation

Property, plant and equipment is stated at cost as restated in the equivalent purchasing power of YTL at December 31, 2005 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:

	Useful life in years
Land	Nil
Land improvements	8.5 – 25
Buildings	25 – 50
Leasehold improvements	5
Property, plant and equipment	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.

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.

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

Capitalized leased assets are depreciated in accordance with the depreciation policy noted above.

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.

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.

Computer Software Development Costs

Generally, costs associated with developing or maintaining computers software programs are recognized as an expense as incurred. However, costs that are directly associated with identifiable and unique software products controlled by the Company, and have probable economic benefit exceeding the cost beyond one year, are recognized as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognized as a capital improvement and added to the original cost of the software. Computer software development costs are recognized as assets and amortized on a pro-rata basis over their estimated useful lives, not exceeding a period of 5 years.

Other Intangible Assets

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

Trade Receivables

Trade receivables are carried at original amount less an estimate made for doubtful receivables. The Company's management believes that the estimated amount will be adequate to absorb possible future losses on existing receivables that may become uncollectible due to economic conditions and inherent risks in the receivables. Bad debts are written off when identified.

Allowance for Unearned Interest

Unearned interest is calculated at the rate of 13.8% (December 31, 2004: 21% and December 31, 2003: 48%) per year for Turkish Lira and 3.5 % (December 31, 2004: 2.6% and December 31, 2003: 2.1%) per year for foreign currency on receivables and payables at the balance sheet date.

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.

Inventories

Inventories are stated at the lower of cost, restated at the equivalent purchasing power at December 31, 2005, 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.

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.

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.

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.

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.

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.

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.

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.

Warranty Provision

This provision reflects the costs and expenses for which the Company responsible under Turkish regulations for servicing its products sold in Turkey which malfunction due to production defects. Technical service cost 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.

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, all restated in equivalent purchasing power at December 31, 2005.

Related Parties

Companies and their related parties, investments and affiliates controlled by Zorlu Holding Group or otherwise under the control of Ahmet Nazif Zorlu and his family (including the companies in the Vestel Group) are considered and referred to as related parties.

Financial Instruments

Financial Risk Management Objectives and Policies
The Company's principal financial instruments comprise bank loans, overdrafts, cash and short-term deposits. The main purpose of these financial instruments is to raise funds for the Company's operations. The Company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Company's financial instruments are 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 Rates Risk
The Company's exposure to market risk for changes in interest rates relates primarily to the Company's long-term debt obligations. The Company's policy is to manage its interest cost using a mix of fixed and variable rate debt.

Foreign Currency Risk
The Company's operations are conducted in Turkey. The products sold to Vestel Foreign Trade are primarily exported to Europe. The Company is exposed to transactional and contractual foreign exchange risks resulting from currency exposures primarily with respect to the EURO and U.S. Dollar.

Funding Risk
Funding risk of existing and probable future debt requirement is monitored by maintaining the continuity and accessibility of highly qualified credit providers in sufficient number.

Liquidity Risk
The Company raises funds by liquidating its short term financial instruments, eg. by collecting receivables and disposing of marketable securities. The Company's proceeds from these instruments generally approximate their fair values.

Credit Risk
The Company's credit risk is primarily attributable to its trade receivables from Vestel Foreign Trade and Vestel Domestic Marketing. Vestel Foreign Trade requires most of its customers to provide guarantees or letters of credit to secure payment. The receivables of Vestel Domestic Marketing from its customers are substantially secured by collaterals and mortgages.

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. 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

Balances denominated in foreign currencies are translated at year-end exchange rates. The fair value of certain financial assets carried at cost, including cash at 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 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 stated with market value.

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. The fair values of long-term bank borrowings and accrued interests are considered to approximate their carrying values.

Cash Flow Reporting

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

(All amounts in New Turkish Lira in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

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.

The computation of the basic earnings per share:

Number of shares outstanding	2005	2004	2003
1 January	46,000,000	46,000,000	46,000,000
Bonus shares out of reserves	92,000,000	--	--
	138,000,000	**46,000,000**	**46,000,000**
Net income	49,667,635	72,718,532	61,566,237
Weighted average number of ordinary shares outstanding during the year	138,000,000	138,000,000	138,000,000
Earnings per share (YTL)	**0,36**	**0,53**	**0,45**

1. CASH AND CASH EQUIVALENTS

	2005	2004	2003
Cash	23,764	14,918	21,030
Banks			
- Demand deposits	234,846	--	121,885
- Repurchase transactions	8,118,319	2,710,882	2,292,548
	8,376,929	**2,725,800**	**2,435,463**

The maturity of repurchase transactions was January 2, 2006 and the interest rate was 2% per year for foreign currency and 14% per year for New Turkish Lira (December 31, 2004: January 03, 2005 and the interest rate was 1.5% per year for foreign currency and 18.2% per year for New Turkish Lira; December 31, 2003:January 2, 2004 and the interest rate was 25.2% per year for New Turkish Lira).

(All amounts in New Turkish Lira in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

5. TRADE RECEIVABLES

	2005	2004	2003
Third parties			
- Current accounts	15,598	101,943	78,025
- Cheques received	--	--	2,773,933
Related parties			
- Current accounts	16,188,439	38,610,739	23,985,779
- Notes receivable	131,490,327	104,544,849	--
Deposits and guarantees given	18,902	23,490	31,201
Less :			
- Allowance for doubtful receivables	--	(1,201)	(1,367)
- Unearned interest on receivables	(4,048,686)	(6,085,564)	(555,470)
	143,664,580	**137,194,256**	**26,312,101**

6. INVENTORIES

Raw materials and components	57,756,170	59,026,999	30,772,395
Work in process	5,610,385	3,810,744	2,911,509
Finished goods	36,175,536	17,329,736	12,980,482
Merchandise	78,592	77,579	75,445
Spare parts and supplies	11,624	30,544	159,319
Provision for inventories	(403,054)	--	--
Goods in transit	2,359,143	4,882,499	1,849,593
	101,588,396	**85,158,101**	**48,748,743**

7. OTHER CURRENT ASSETS

Prepaid expenses	1,002,948	926,580	377,019
V.A.T. receivable	7,424,141	2,983,703	2,212,854
Due from personnel	90,134	113,100	352,289
Other	37,186	1,661	3,856
	8,554,409	**4,025,044**	**2,946,018**

(All amounts in New Turkish Lira in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

8. PROPERTY, PLANT AND EQUIPMENT, net

	January 1, 2005	Additions	Disposals	Transfers	December 31, 2005
Cost					
Land	6,844,298	--	--	--	6,844,298
Land improvements	2,683,518	1,781	--	--	2,685,299
Buildings	47,741,771	1,009,525	--	8,991,699	57,742,995
Machinery and equipment	224,291,817	2,629,262	(1,117,035)	97,240,083	323,044,127
Motor vehicles	129,828	294,953	--	--	424,781
Furniture and fittings	6,171,999	3,409,115	(9,827)	943,417	10,514,704
Leasehold improvements	253,359	118,807	--	15,483	387,649
Construction in progress and advances given	27,167,647	100,074,235	(71,153)	(107,380,537)	19,790,192
	315,284,237	**107,537,678**	**(1,198,015)**	**(189,855)**	**421,434,045**
Accumulated depreciation					
Land improvements	663,594	159,501	--	--	823,095
Buildings	7,198,031	2,099,708	--	--	9,297,739
Machinery and equipment	66,819,220	23,323,149	(345,303)	--	89,797,066
Motor vehicles	21,282	40,485	--	--	61,767
Furniture and fittings	1,909,795	1,330,198	(1,736)	--	3,238,257
Leasehold improvements	11,408	52,708		--	64,116
	76,623,330	**27,005,749**	**(347,039)**	**--**	**103,282,040**
Net book value	**238,660,907**				**318,152,005**

(All amounts in New Turkish Lira in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

	January 1, 2004	Additions	Disposals	Transfers	December 31, 2004
Cost					
Land	6,031,169	813,129	--	--	6,844,298
Land improvements	2,543,391	138,824	--	1,303	2,683,518
Buildings	46,663,697	203,816	--	874,258	47,741,771
Machinery and equipment	184,792,088	14,409,685	(18,143)	25,108,187	224,291,817
Motor vehicles	167,723	42,701	(80,596)	--	129,828
Furniture and fittings	4,514,613	1,189,525	(11,653)	479,514	6,171,999
Leasehold improvements	6,750	246,609	--	--	253,359
Construction in progress and advances given	4,290,219	49,340,690	--	(26,463,262)	27,167,647
	249,009,650	**66,384,979**	**(110,392)**	**--**	**315,284,237**
Accumulated depreciation					
Land improvements	506,953	156,641	--	--	663,594
Buildings	5,269,144	1,928,887	--	--	7,198,031
Machinery and equipment	46,776,330	20,058,614	(15,724)	--	66,819,220
Motor vehicles	83,741	18,137	(80,596)	--	21,282
Furniture and fittings	1,193,303	720,443	(3,951)	--	1,909,795
Leasehold improvements	5,837	5,571	--	--	11,408
	53,835,308	**22,888,293**	**(100,271)**	**--**	**76,623,330**
Net book value	**195,174,342**				**238,660,907**

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 during 2004 and 2005 to increase its refrigerator and washing machine production capacity and new investment made in cooker and dishwasher production during 2004 and 2005, respectively.

Leased assets included in the table above comprise plant and machinery amounting to YTL 34,231,324 net of accumulated depreciation.

As of December 31, 2005, fixed assets were insured for YTL 291,384,612 (December 31, 2004: YTL 382,114,246; December 31, 2003: YTL 166,266,468).

(All amounts in New Turkish Lira in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

9. INTANGIBLE ASSETS, net

	January 1, 2005	Additions	Disposals	Transfers	December 31, 2005
Cost					
Rights	6,616,749	4,372	--	--	6,621,121
Research and development expenses	5,234,881	--	--	--	5,234,881
Other intangible assets	313,414	198,159	--	189,855	701,428
	12,165,044	**202,531**	**--**	**189,855**	**12,557,430**
Accumulated amortization					
Rights	6,127,482	147,703	--	--	6,275,185
Research and development expenses	3,072,062	537,143	--	--	3,609,205
Other intangible assets	45,912	113,293	--	--	159,205
	9,245,456	**798,139**	**--**	**--**	**10,043,595**
Net book value	**2,919,588**				**2,513,835**

	January 1, 2004	Additions	Disposals	Transfers	December 31, 2004
Cost					
Rights	6,606,599	10,150	--	--	6,616,749
Research and development expenses	4,882,762	352,119	--	--	5,234,881
Other intangible assets	22,763	290,651	--	--	313,414
	11,512,124	**652,920**	**--**	**--**	**12,165,044**
Accumulated amortization					
Rights	5,922,094	205,388	--	--	6,127,482
Research and development expenses	2,115,555	956,507	--	--	3,072,062
Other intangible assets	382	45,530	--	--	45,912
	8,038,031	**1,207,425**	**--**	**--**	**9,245,456**
Net book value	**3,474,093**				**2,919,588**

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 in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

10. BORROWINGS

	Short term			Long term		
	Interest Rate %	**Foreign Currency**	**YTL Balance**	**Interest Rate %**	**Foreign Currency**	**YTL Balance**
2005						
Bank borrowings						
- USD	5.5%	63,661	85,420	5.5%	8,000,000	10,734,400
- EURO	3% - 6.6%	10,307,199	16,362,678	3% - 6.6%	40,192,986	63,806,365
- YTL	--	--	59,335	--	--	--
Finance lease liabilities						
- USD	4.5% - 10%	1,272,582	1,707,551	4.5% - 10%	1,773,838	2,380,136
- EURO	5% - 8%	1,314,117	2,086,161	5% - 8%	287,396	456,241
			20,301,145			**77,377,142**
2004						
Bank borrowings						
- USD	4% -5%	2,482,800	3,483,608	4%	660,000	926,044
- EURO	3% - 5.5%	4,870,983	9,302,727	3% - 5.5%	26,889,673	51,354,577
Finance lease liabilities						
- USD	4.5% - 10%	1,436,022	2,014,877	4.5% - 10%	3,063,616	4,298,549
- EURO	5% - 8%	1,545,323	2,951,297	5% - 8%	1,602,121	3,059,771
			17,752,509			**59,638,941**
2003						
Bank borrowings						
- USD	5%	2,001,001	3,324,144	--	--	--
- EURO	6% -8%	1,199,572	2,491,370	3% -3.5%	24,273,979	50,414,186
- YTL	--	--	33,890	--	--	--
Finance lease liabilities						
- USD	8% - 10%	519,367	862,794	8% - 10%	590,743	981,367
- EURO	7% - 8%	1,504,552	3,124,776	7% - 8%	2,495,296	5,182,435
			9,836,974			**56,577,988**

(All amounts in New Turkish Lira in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

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

	2005	2004	2003
Due in one year	16,507,433	12,786,335	5,849,404
Due between one and two years	27,327,441	17,707,111	19,809,082
Due between two and five years	39,403,619	27,743,830	23,508,948
Over five years	7,809,705	6,829,680	7,096,156
	91,048,198	**65,066,956**	**56,263,590**

New Turkish Lira borrowings are obtained for the purpose of financing daily payments and were repaid on January 1, 2006.

The Company obtained various loans from non-Turkish financial institutions with a maturity of 7 years in years 2003, 2004 and 2005 for financing investments in production machinery and equipment. As of December 31, 2005, the Company's borrowings under these facilities included a short term payable of EURO 10,057,560 (December 31, 2004: EURO 3,676,478; December 31, 2003: Nil) and long term payable of EURO 34,568,059 (December 31, 2004: EURO 15,069,947; December 31, 2003: EURO 24,273,979). The principal amount of these loans is repayable at six months intervals and the last repayment date is June 2012. The annual interest rate is 3%.

As of December 31, 2005, the Company's borrowings included a loan of USD 8,000,000 for the purpose of financing its working capital. The annual interest rate is 5.5%.The loan matures in May 2007.

The Company's borrowings as of December 31, 2005 also included borrowings under a EURO 9,000,000 facility obtained during June 2003 for financing working capital. The loan matures in May 2009. As of December 31, 2005, the remaining principal amount outstanding is EURO 7,875,000. The annual interest rate is 5.5%. Vestel group company Vestel Elektronik Sanayi ve Ticaret A.Ş. is a guarantor for this loan.

As of December 31, 2004 the Company had a loan for the purpose of financing its working capital amounting to YTL 2,684,200 (USD 2,000,000). The maturity of the loan was July 2005 with an interest rate of 4.2% per year. This loan was repaid in full on July 5, 2005 (December 31, 2003: 3,177,964 YTL (USD 2,000,000)).

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 in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

Finance lease liabilities – minimum lease payments:

	2005	2004	2003
Total of finance lease installments			
Due in one year	4,166,984	5,797,403	4,957,002
Due between one to five years	3,000,967	7,952,349	6,792,923
Less : Future finance charges on finance leases	(537,862)	(1,425,258)	(1,598,553)
Present value of finance lease obligations	**6,630,089**	**12,324,494**	**10,151,372**
The present value of finance lease liabilities is as follows:			
Due in one year	3,793,712	4,966,175	3,987,478
Due between one to five years	2,836,377	7,358,319	6,163,894
	6,630,089	**12,324,494**	**10,151,372**

11. TRADE PAYABLES

Third parties			
- Current accounts	166,847,226	141,244,054	75,224,863
- Notes payable	4,548,776	43,003,569	219,061
Related parties			
- Current accounts	7,290,822	2,329,729	301,523
Deposits and guarantees obtained	960	1,004	1,143
Less:			
- Unearned interest on payables	(576,597)	(2,683,501)	(1,427,001)
	178,111,187	**183,894,855**	**74,319,589**

As of December 31, 2004 trade payables includes USD 30,000,000 provided by HSBC Bank for the purchase of compressors in the form of murabaha financing. The financing was obtained in March 2004 and the full amount was repaid in March 2005.

(All amounts in New Turkish Lira in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

12. OTHER LIABILITIES

	2005	2004	2003
Current			
Taxes payable	2,462,902	1,793,552	1,266,344
Social security premiums payable	2,400,078	1,058,954	776,165
Warranty provision	3,404,517	2,610,915	1,796,224
Due to personnel	1,394,216	454	35,751
Due to related parties (note 21)	44,867,652	--	--
Other	151,476	158,123	14,608
	54,680,841	**5,621,998**	**3,889,092**
Non current			
Due to related parties (note 21)	--	--	21,882,260
	--	**--**	**21,882,260**

13. TAXATION ON INCOME

The corporation tax rate on the profits in Turkey is 30% (2004: 33%). The corporation tax rate for the taxable profits thereafter is 30%. Taxable profits are calculated by addition of tax disallowed expenses to and deduction of tax exemptions (investment income exemption) and deductions (investment incentive deductions) from the profit disclosed in the statutory income.

The tax legislation provides for a provisional tax of 30% (25% before April 24, 2003) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final tax liability for the year. However, in accordance with Law No. 5035, provisional taxes for the year 2004 was calculated and paid at the rate of 33%.
The part of profits distributed in dividend to individuals and non-resident companies are subject to withholding tax as follows:

- Up to April 24, 2003, the rate was 5.5% and 16.5% respectively for public and non public companies.
- April 24, 2003 – December 31, 2003 the rate was 11%.
- After January 1, 2004 (applicable to profits of year 2003 distributed in year 2004) the rate has become 10%.

However the following are exempt from withholding tax:

- Dividends out of profits obtained up to December 31, 1998.
- Dividends out of profits exempted from Corporation Tax obtained up to December 31, 2002.
- Investment allowances relating to fixed assets purchased before April 24, 2003 which allowances bare tax at 19.8%.
- No withholding tax has been payable on undistributed profits, profits added to share capital (bonus shares) and dividends paid to other resident companies.

In addition, the Turkish government offers investment incentives to companies that make certain qualifying capital investments in Turkey. Prior to April 24, 2003 the total amount of qualifying capital investments was deducted from taxable income and the remainder of taxable income, if any, was taxed at the corporate rate. A withholding tax 19.8% was applied to the total amount of qualifying capital investments. With effect from April 24, 2003, the investment scheme was amended such that companies are no longer subject to a withholding tax, but rather directly deduct 40% of qualifying capital investments from their annual taxable income. In addition, corporations that had unused qualifying capital investment amounts from periods prior to April 24, 2003 were entitled to carry forward these and apply the 19.8% withholding tax to these amounts in the manner described above (note 16).

Tax losses that are reported in 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 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.

The Law nr. 5024 published on December 30, 2003 has introduced changes and additions to the taxation of companies with effect from January 1, 2004, as follows:

- Taxable profits as from January 1, 2004 will be based on financial statements adjusted for the effects of inflation; such adjustments for inflation will be made in respect of each quarterly tax period during the year.

- The adjustments for inflation will be based on the increase in Wholesale Price Indices published by the Turkish Institute of Statistics.

- The adjustment for inflation has to be made if cumulative inflation rate for previous 36 months exceeds 100% and the inflation rate for previous 12 months exceeds 10%. If the 100% and the 10% condition do not apply simultaneously there will be no requirement to adjust for inflation. The Council of Ministers may reduce the ceiling from 100% to 35% or increase the 12 monthly limits from 10% to 25%.

- The financial statements at December 31, 2003 must be adjusted for inflation through the following formula:

  Total of adjusted assets
  Less: - total of adjusted liabilities (-)
  - Adjusted share capital (-)
  - Adjusted share premium account
  "Difference"

- The "difference" will be termed "accumulated profit/loss" and will form part of shareholders' equity.

- The accumulated profit ascertained as above will not be subject to any tax. If the difference results in an accumulated loss, this loss will not be deductible from future profits. The losses deductible from profits of 2004 and future years will only be the losses for 2003 and previous years as disclosed in the Corporation tax declarations for 2003 and previous years on historical basis.

- The adjustments to share capital and to other accounts forming part of shareholders' equity may be added to share capital by way of bonus shares. Issue of such bonus shares will not considered as distribution of profit.

- Corporation Tax calculation for year 2003 will be based on the regulations valid up to December 31, 2003.

- The following will be discontinued as from January 1, 2004.
  - fiscally allowed revaluation of fixed assets
  - valuation of stocks on a LIFO basis
  - cost increase reserve for fixed assets
  - the part of financing costs disallowed for tax purposes
  - depreciation of up to 20% which as left to the option of the taxpayer. Instead depreciation rates will be ascertained by the tax administration on basis of economic life time.

Law Nr: 5024 related to inflation accounting for tax purposes calls for a cumulative inflation rate of over 100% for previous 36 months and over 10% for previous twelve months. As the 36 months inflation rate has fallen under 100% and 12 months inflation to 10%, No application for inflation accounting up to the reporting date.

(All amounts in New Turkish Lira in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

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

	2005	2004	2003
Profit before tax	60,731,737	90,317,422	69,311,161
Tax effect of expenses not deductible for tax purposes	2,342,231	2,317,507	2,218,863
Tax effect of income deductible for tax purposes	--	(173,946)	(523,625)
Tax effect of permanent differences and valuation allowances, net	16,813,907	7,454,298	(23,091,772)
Research and development expenses	2,158,290	--	--
Investment incentive allowances 100% deductible and subject to withholding tax at 19.8%	(4,023,590)	(62,600,282)	--
Investment incentive allowances 40% deductible and not subject to withholding	(43,797,802)	(19,968,219)	(10,515,159)
Utilization of previously unrecognized losses	--	--	(11,583,055)
Taxable income	34,224,773	17,346,780	25,816,413
Tax at the rate of 30%	10,267,432	5,204,034	7,744,924
Withholding tax on investment incentives at 19.8%	796,670	12,394,856	--
Taxation per financial statements	**11,064,102**	**17,598,890**	**7,744,924**

Taxes included in the balance sheet are shown below:

	2005	2004	2003
Corporation tax	796,670	12,394,856	---
Less: Prepaid taxes	(866)	(296)	---
Deferred tax assets	(4,952,273)	(8,333,838)	(15,858,337)
Deferred tax liabilities	17,211,711	10,325,845	12,646,310
	13,055,242	**14,386,567**	**(3,212,027)**

(All amounts in New Turkish Lira in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

Deferred taxes

The Company recognizes deferred tax assets and liabilities based upon temporary differences between its financial statements as reported for International Accounting Standards ("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.

Cumulative temporary differences and the related deferred tax assets/liabilities in respect of items for which deferred tax has been provided at December 31, 2005, 2004 and 2003 using the expected future tax rates were as follows:

	Cumulative temporary differences			Deferred tax		
	2005	**2004**	**2003**	**2005**	**2004**	**2003**
Deferred tax asset						
Provision for severance pay	2,291,625	2,023,490	1,150,080	687,488	607,047	345,024
Finance lease liabilities	2,056,207	5,680,317	10,151,278	616,862	1,704,094	3,045,383
Investment allowances	21,495,745	25,974,136	109,152,114	2,192,566	2,649,364	11,196,981
Warranty provision	3,404,517	2,610,915	1,796,224	1,021,355	783,275	538,867
Other	577,203	970,656	1,044,006	173,161	291,197	313,202
Unearned interest expense		6,085,564	555,471		1,825,669	166,640
Temporary differences arising from restating inventories	869,473	1,577,308	840,802	260,841	473,192	252,240
				4,952,273	**8,333,838**	**15,858,337**
Deferred tax liability						
Temporary differences arising from restating tangible and intangible assets	53,882,075	31,735,973	40,727,366	16,164,623	9,520,793	12,218,210
Unearned interest income	3,471,204	2,683,501	1,427,001	1,041,361	805,052	428,100
Other	19,091			5,727		
				17,211,711	**10,325,845**	**12,646,310**

Deferred income taxes are calculated using a principal tax rate of 30% and investment incentives at 10.2%.

Deferred tax assets related to investment allowances are reflected in the financial statements only if it is probable that there will be sufficient profits from which such allowances may be deducted.

(All amounts in New Turkish Lira in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

14. 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 1,727.15 as of December 31, 2005 (December 31, 2004: YTL 1,547.7; December 31, 2003: YTL 1,389.9) on historical cost basis).

The provision for retirement pay is not funded and there is no legal requirement in respect of such funding. The related provision is calculated on the basis of the estimated present value of the probable liability which may arise in the future as a result of the severance of employees of the Company.

In the accompanying financial statements the Company reflected a liability for termination benefits based upon factors derived using management's experience of termination of personnel eligible to receive retirement pay, with the amount 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:

	2005	2004	2003
Discount rate	6.2%	16%	16%
Average yields	12%	10%	10%

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

January 1,	**2,023,490**	**1,150,080**	**822,312**
Provision for the period	356,101	1,013,232	427,741
Monetary gain	(87,966)	(139,822)	(99,973)
December 31,	**2,291,625**	**2,023,490**	**1,150,080**

Number of personnel employed as of year end:	**2,978**	**2,567**	**1,959**

Personnel cost:			
Gross salaries and wages	39,637,346	31,571,747	18,685,267
Employer's share of social insurance	8,508,982	6,621,153	3,884,863
	48,146,328	**38,192,900**	**22,570,130**

(All amounts in New Turkish Lira in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

15. SHARE CAPITAL

The authorized and paid-in capital of the Company was YTL 138,000,000 consisting of 138,000,000 Ordinary Shares of par value YTL 1 each at December 31, 2005 and YTL 46,000,000 consisting of 4,600,000,000 Ordinary Shares of par value TL 10,000 each at December 31, 2004 and 2003.

The shareholders of the Company and their percentage shareholdings were as follows:

Shareholding percentage	**2005**	**2004**	**2003**
Vestel Elektronik Sanayi ve Ticaret A.Ş.	35.0%	35.0%	35.0%
Ahmet Nazif Zorlu	26.5%	26.5%	26.5%
Olgun Zorlu	26.5%	26.5%	26.5%
Zorlu Holding A.Ş.	10.0%	10.0%	10.0%
Other	2.0%	2.0%	2.0%
	100.0%	100.0%	100.0%
Shareholding amount			
Vestel Elektronik Sanayi ve Ticaret A.Ş.	48,300,000	16,100,000	16,100,000
Ahmet Nazif Zorlu	36,570,000	12,190,000	12,190,000
Olgun Zorlu	36,570,000	12,190,000	12,190,000
Zorlu Holding A.Ş.	13,800,000	4,600,000	4,600,000
Other	2,760,000	920,000	920,000
Share capital (Nominal)	138,000,000	46,000,000	46,000,000
Capital inflation adjustment	15,720,137	46,419,567	46,419,567
Restated share capital equivalent to purchasing power of New Turkish Lira	**153,720,137**	**92,419,567**	**92,419,567**

The share capital has been increased from YTL 46,000,000 to YTL 138,000,000 on the basis of the resolution of the general meeting of shareholders dated March 18, 2005 and published in the Gazette of the Commercial Registry on March 24, 2005 number 6267. The increase was as follows:

Out of inflation reserves	32,668,000
Out of general reserves	59,332,000
	92,000,000

16. COMMITMENTS AND CONTINGENCIES

Contingent liabilities

a. As of December 31, 2005, the Company has contingent liabilities amounting to YTL 4,670,635 in respect of bank loans, letters of credit and other guarantees arising in the ordinary course of business.

b. Due to the export and investment incentive certificates obtained for tax purposes, the Company has committed to realise exports amounting to USD 158,113,409 as of December 31, 2005.

c. The Company has operating lease agreements amounting to YTL 90,703 (total commitment at December 31, 2005).

d. Vestel Group signed a guarantee and credit agreement with Vakıflar Bankası for USD 114.4 million. Group companies and the majority shareholder of the Company were beneficiaries of and guarantors to the agreement. Additionally, a Group company has signed a guarantee and credit agreement with the same financial institution for YTL 20 million and the Company and Vestel Group companies were beneficiaries of and guarantors to this facility.

e. Vestel Elektronik Sanayi ve Ticaret A.Ş. (majority shareholder of the Company) is a guarantor for a loan of EURO 9,000,000 obtained by the Company in June 2003.

f. 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.

g. A law suit has been initiated against the Company by two companies which 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-suits are 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.

h. Lawsuits opened against the Company amounted to YTL 28,448.

i. The value of the law-suits which have been finalized in favour of the Company is YTL 562,782. The matters have been taken to the Court of Appeal.

(All amounts in New Turkish Lira in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

Contingent assets

a. Letters of guarantee, cheques and notes obtained from suppliers and customers amounted to YTL 12,992,291.

b. The Company has Incentive Certificates related to investments in fixed assets obtained from the Treasury of the Prime Ministry of Turkey; these investment incentive certificates entitle the Company to deductions (investment allowances) of YTL 21,495,745 from future taxable income.

Investment allowances may be deducted from profits subject to corporation tax. Up to April 24, 2003 the allowance was based on 100% of the investment value and was deductible from taxable profit but was subject to tax at 19.8%. The allowance percentage was reduced to 40% after April 24, 2003 but the tax of 19.8% was cancelled after the same date.

Investment Certificates obtained by the Company were as follows:

Subject	Certificate No:	Certificate Date:	Date of completion	Deductible Incentive
Refrigerator expansion investment	68906	19.08.2002	19.08.2005	15,736,745
Washing machine plant	76569	02.08.2004	02.04.2007	--
Air conditioning unit plant	76913	23.08.2004	23.08.2007	--
Cooker plant	77067	17.09.2004	17.09.2007	--
Refrigerator plant	77497	01.11.2004	01.11.2007	--
Air conditioning unit plant	69151	02.09.2002	02.09.2004	5,759,000
Total				**21,495,745**

The investment certificates listed above entitles the Company to the following incentives:

1. Exemption from corporation tax (investment allowance) of 40% of the investment in tangible fixed assets.
2. VAT postponement.
3. Exemption from customs duties for imported machinery and equipment (100%).
4. Exemption from duties and transactions taxes.

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17. NET SALES

	2005	2004	2003
Total sales-UNITS			
Refrigerators	1,694,465	1,417,181	1,127,936
Air conditioning units	332,395	279,862	177,547
Washing machines	1,015,578	693,432	49,342
Cookers	72,441	--	--
Total sales-YTL			
Domestic sales	362,108,949	342,328,263	182,332,989
Export sales	447,134,545	388,365,416	266,026,574
Other sales	1,153,733	920,664	856,741
Gross sales	**810,397,227**	**731,614,343**	**449,216,304**
Less: Sales returns and discounts	**(324,496)**	**(350,984)**	**(262,927)**
Net sales	**810,072,731**	**731,263,359**	**448,953,377**

(All amounts in New Turkish Lira in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

18. COST OF SALES

	2005	2004	2003
Total production-UNITS			
Refrigerators	1,718,091	1,415,188	1,133,771
Air conditioning units	369,497	287,379	177,111
Washing machines	1,020,850	712,858	58,209
Cookers	76,982	--	--
Cost –YTL			
Direct material	649,958,070	532,317,618	325,688,142
Direct labor	36,594,376	31,303,632	18,809,657
General overhead	29,327,826	29,300,180	18,476,388
Depreciation and amortization	26,226,668	22,577,232	17,153,169
Cost of goods produced	**742,106,940**	**615,498,662**	**380,127,356**
Work in process			
Beginning inventory	3,810,744	2,911,509	1,553,983
Ending inventory	(5,610,385)	(3,810,744)	(2,911,509)
Changes in finished goods			
Beginning inventory	17,329,736	12,980,482	11,223,578
Ending inventory	(36,175,536)	(17,329,736)	(12,980,482)
Cost of goods sold	**721,461,499**	**610,250,173**	**377,012,926**
Purchases	77,579	75,445	1,845
Beginning merchandise inventory	105,899	1,014,365	186,922
Ending merchandise inventory	(78,592)	(77,579)	(75,445)
Cost of merchandise sold	**104,886**	**1,012,231**	**113,322**
Cost of sales	**721,566,385**	**611,262,404**	**377,126,248**

(All amounts in New Turkish Lira in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

19. OTHER INCOME (EXPENSE), net

	2005	2004	2003
Rent income	71,242	1,701,866	2,401,831
Income from scrap sales	1,911,776	1,224,848	3,103,422
Other income	561,117	381,273	810,871
Grant received	3,151,898	745,993	211,624
Insurance refunds	216,123	25,540	17,367
Profit on sale of fixed assets	--	15,751	1,094
Other income	**5,912,156**	**4,095,271**	**6,546,209**
Loss on sale of fixed assets	(457,593)	(833)	(1,811)
Other expense	(86,881)	--	(2,830)
Idle capacity expenses	(7,170,433)	(145,149)	--
Provision for inventories	(403,054)		
Insurance losses	(13,426)	--	--
Other expense	**(8,131,387)**	**(145,982)**	**(4,641)**
	(2,219,231)	**3,949,289**	**6,541,568**

Grant received is related to reimbursements made by the Directorate for Technology Follow up and Evaluation (“TIDEB”) 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 2005.

(All amounts in New Turkish Lira in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

20. FINANCING INCOME (EXPENSE), net

	2005	2004	2003
Foreign exchange gain	16,202,333	7,601,749	9,467,807
Interest income from repurchase transactions	3,034,521	805,926	488,334
Unearned interest income on payables	6,614,011	3,171,439	1,465,799
Financing income	**25,850,865**	**11,579,114**	**11,421,940**
Foreign exchange loss	(9,887,201)	(11,842,476)	(5,743,839)
Interest expense	(5,776,897)	(3,887,546)	(4,718,144)
Letter of credit expenses	(2,847,332)	(2,267,573)	(1,070,840)
Bank borrowing commission expenses	(130,517)	(1,713,626)	(488,558)
Term difference expenses	(796,144)	(419,730)	(3,604,629)
Guarantee letter commission expenses	(72,090)	(79,537)	(139,184)
Other financing expenses	(216,318)	(60,269)	(29,641)
Finance lease interest expenses	(768,028)	(855,040)	(548,296)
Unearned interest expense on receivables	(6,828,320)	(7,339,077)	(2,740,111)
Financing expense	**(27,322,847)**	**(28,464,874)**	**(19,083,242)**
	(1,471,982)	**(16,885,760)**	**(7,661,302)**

21. RELATED PARTY DISCLOSURE

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

The related parties of the Company for the years ended December 31 2005, 2004 and 2003 were as follows:

Related Party	Location	Field of Activity
Vestel Elektronik A.Ş.	Turkey	Production of television
Vetsel Dijital A.Ş.	Turkey	Production of electronic devices
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş. ("Vestel Domestic Marketing")	Turkey	Domestic marketing of household appliances
Vestel Komünikasyon A.Ş.	Turkey	Production of electronic devices
Vestel Holland BV	Holland	Overseas marketing of household appliances
Vestel France SAS	France	Overseas marketing of household appliances
Vestel Dış Ticaret A.Ş. ("Vestel Foreign Trade")	Turkey	Overseas marketing of household appliances
Korteks Mensucat A.Ş.	Turkey	Textile production
Zorlu Linens Pazarlama A.Ş.	Turkey	Domestic marketing of textile goods
Zorlu Holding A.Ş.	Turkey	Management
Deniz Destek Oto Kiralama A.Ş.	Turkey	Car rental services
Zorlu Sigorta Aracılık Hizmetleri A.Ş.	Turkey	Insurance services
Zorpet Zorlu Petrol A.Ş.	Turkey	Petrol stations
Denizbank A.Ş.	Turkey	Banking
Vestelnet Elektronik İletişim A.Ş.	Turkey	Computer software
Deksar Multimedya A.Ş.	Turkey	Information Technology
Vestel U.K.	UK	Overseas marketing of household appliances
Vestel Benelux B.V.	Holland	Overseas marketing of household appliances
Collar Holding B.V.	Holland	Management
VESEG GmbH	Germany	Overseas marketing of household appliances
Vestel USA	USA	Overseas marketing of household appliances
Vestel Iberia Ltd.	Spain	Overseas marketing of household appliances
Cabot Communications Ltd.	UK	Computer software
Zorlu Doğalgaz A.Ş.	Turkey	Petrol stations
Vestel Italy SRL.	Italy	Overseas marketing of household appliances

Related Party	Location	Field of Activity
Vestel Hong Kong	Hong Kong	Overseas marketing of household appliances
Deniz Yatırım Menkul Kıymetler A.Ş.	Turkey	Finance
Deniz Finansal Kiralama A.Ş.	Turkey	Finance
Deniz Faktoring A.Ş.	Turkey	Factoring
Zorlu Enerji Elektrik Üretimi Otoprodüktör Grubu A.Ş.	Turkey	Energy
Zorlu Endüstriyel Enerji İnşaat Tic.A.Ş.	Turkey	Energy
Zorlu Air Havacılik A.Ş.	Turkey	Aviation
Zorlu Turizm İnşaat San. ve Tic. A.Ş.	Turkey	Tourism
Zorlu Ambalaj San. ve Tic. A.Ş.	Turkey	Packaging
Zorlu Grand Hotel İşletmeleri A.Ş.	Turkey	Tourism
Zorluteks Tekstil Tic. ve San. A.Ş.	Turkey	Textile
Zorlu Hometeks San. ve Tic. A.Ş.	Turkey	Textile
Zorlu Mensucat San. ve Tic. A.Ş.	Turkey	Textile
Zorlu Belair Mensucat San. ve Tic. A.Ş.	Turkey	Textile
Zorlu Ev Tekstil Ürünleri ve Tic. A.Ş.	Turkey	Textile
Zorlu Tekstil Ürünleri Pazarlama A.Ş.	Turkey	Marketing
Zorlu Dış Ticaret A.Ş.	Turkey	Overseas marketing of textile goods
Bel Air Industries S.A.	France	Textile
Korteks Tekstil (Africa) Ltd.	Africa	Textile
Zorlu Haskova (Bulgaria)	Bulgaria	Textile
Zorlu USA Inc.	USA	Marketing
Zorlu Financial Services	Ireland	Finance
Bel Air Gardinen GmbH	Germany	Textile
Zorlu MFG Co.L.L.C.	USA	Textile
Zorlu UK LTD.	UK	Textile
Anadolu Kredi Kartı(AKK)	Turkey	Finance
Intertech	Turkey	Finance
Zorluteks D.O.O.	Macedonia	Marketing
Atlas-Tac Co.	Iran	Textile
Zorlu Türkmenistan	Turkmenistan	Textile
Deniz İnşaat Tekstil A.Ş.	Turkey	Textile

(All amounts in New Turkish Lira in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

i) The most significant of these transactions carried out with related parties is given below:

As of December 31, 2005, cash and cash equivalents including demand deposits of YTL 232,287 and repurchase transactions of YTL 3,355,000 at Denizbank A.Ş.. The average interest rate was 14 % per year on new Turkish Lira and 2% per year on foreign currency, with an average of two days maturity (December 31, 2004: demand deposits of YTL 11,656 and repurchase transactions of YTL 2,579,728 with an average interest rate of 18.2 % per year on New Turkish Lira and 1.5% per year on foreign currency, with an average maturity of three days; December 31, 2003: demand deposits of YTL 120,879 and repurchase transactions of YTL 2,292,548 with an average interest rate of 25.5 % per year on new Turkish Lira, with an average maturity of one day).

The Company obtained interest-free loans amounting to YTL 15,129 from Denizbank A.Ş. (December 31, 2004: 27,493 YTL; December 31, 2003: Nil).

As of December 31, 2004, the Company borrowed YTL 7,513,111 from Denizbank A.Ş. with an average interest rate of 4.4% per year maturing in June 2006. These loans were repaid in full as of December 30, 2005.

December 31, 2005	**Due from related parties**		**Due to related parties**	
	Trade Receivables	**Other Receivables**	**Trade Payables**	**Other Payables**
Vestel Elektronik A.Ş.	--	--	3,987,355	--
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş. (Vestel Domestic Marketing)	147,516,841	--	--	--
Vestel Komünikasyon A.Ş.	--	--	63,457	--
Vestel Holland BV	--	--	3,083,197	--
Vestel Dış Ticaret A.Ş. (Vestel Foreign Trade)	--	--	--	44,867,652
Korteks Mensucat A.Ş.	--	--	476	--
Zorlu Linens Pazarlama A.Ş.	--	--	67,629	--
Zorlu Holding A.Ş.	--	--	54,882	--
Vestel Dijital A.Ş.	--	--	26,755	--
Zorpet Zorlu Petrol Nakliyat A.Ş.	161,925	--	--	--
Deniz Destek Oto Kiralama A.Ş.	--	--	6,086	--
Other	--	--	985	--
	147,678,766	**--**	**7,290,822**	**44,867,652**

(All amounts in New Turkish Lira in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

December 31, 2004	**Due from related parties**		**Due to related parties**	
	Trade Receivables	**Other Receivables**	**Trade Payables**	**Other Payables**
Vestel Elektronik A.Ş.	--	--	1,899,825	--
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş. (Vestel Domestic Marketing)	109,048,134	--	--	--
Vestel Komünikasyon A.Ş.	665,073	--	--	--
Vestel Holland BV	--	--	122,056	--
Vestel Dış Ticaret A.Ş. (Vestel Foreign Trade)	33,442,381	--	--	--
Vestel France SA	--	--	1,198	--
Korteks Mensucat A.Ş.	--	--	1,056	--
Zorlu Holding A.Ş.	--	--	276,305	--
Zorpet Zorlu Petrol Nakliyat A.Ş.	--	--	29,289	--
	143,155,588	**--**	**2,329,729**	**--**

December 31, 2003	**Due from related parties**		**Due to related parties**	
	Trade Receivables	**Other Receivables**	**Trade Payables**	**Other Payables**
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş. (Vestel Domestic Marketing)	23,943,017	--	--	--
Vestel Komünikasyon A.Ş.	42,762	--	22,544	--
Vestel Holland BV	--	--	10,771	--
Vestel Dış Ticaret A.Ş. (Vestel Foreign Trade)	--	--	--	21,882,260
Zorlu Holding A.Ş.	--	--	244,132	--
Zorpet Zorlu Petrol Nakliyat A.Ş.	--	--	24,076	--
	23,985,779	**--**	**301,523**	**21,882,260**

(All amounts in New Turkish Lira in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

ii) Purchases from and sales to related parties:

2005	**Sales**	**Purchases and other expenses**
Vestel Elektronik A.Ş.	255,549	2,519,934
Vestel Dayanıklı Tüketim Malları A.Ş.	315,613,206	49,138
Vestel Komünikasyon A.Ş.	6,340	35,930
Zorpet Zorlu Petrol Nakliyat A.Ş.	704,465	--
Vestel Dış Ticaret A.Ş.	447,668,193	2,472,098
Vestel Digital A.Ş	218	25,051
	764,247,971	**5,102,151**

2004	**Sales**	**Purchases**
Vestel Elektronik A.Ş.	230,055	931,140
Vestel Dayanıklı Tüketim Malları A.Ş.	307,970,990	--
Vestel Komünikasyon A.Ş.	690,806	--
Vestel Dış Ticaret A.Ş.	389,023,320	--
	697,915,171	**931,140**

2003	**Sales**	**Purchases**
Vestel Elektronik A.Ş.	93,516	1,338,666
Vestel Dayanıklı Tüketim Malları A.Ş.	157,524,559	--
Vestel Dış Ticaret A.Ş.	259,398,022	--
	417,016,097	**1,338,666**

(All amounts in New Turkish Lira in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

2005	Rent income	Financing income	Financing expense
Vestel Elektronik A.Ş.	19,016	396,096	356,457
Vestel Dayanıklı Tüketim Malları A.Ş.	52,277	2,631,980	--
Vestel Komünikasyon A.Ş.	--	70,611	--
Vestel Dış Ticaret A.Ş.	--	695,374	4,882,091
	71,293	**3,794,061**	**5,238,548**
2004			
Vestel Elektronik A.Ş.	1,142,591	--	--
Vestel Dayanıklı Tüketim Malları A.Ş.	464,499	151,803	152,880
Vestel Komünikasyon A.Ş.	94,776	98,999	17,986
Vestel Dış Ticaret A.Ş.	--	5,134,752	--
	1,701,866	**5,385,554**	**170,866**
2003			
Vestel Elektronik A.Ş.	1,232,169	96,869	96,865
Vestel Dayanıklı Tüketim Malları A.Ş.	958,415	--	225,402
Vestel Komünikasyon A.Ş.	211,247	--	--
Vestel Dış Ticaret A.Ş.	--	2,267,258	3,049,578
	2,401,831	**2,364,127**	**3,371,845**

As of December 31, 2005, interest expense paid and accrued for loans obtained from Denizbank A.Ş. amounted to YTL 1,560,418 (December 31, 2004: YTL 30,321, December 31, 2003: Nil).

As of December 31, 2005, repurchase transactions at Denizbank A.Ş. earned YTL 286,780 (December 31, 2004: YTL 594,582, December 31, 2003: YTL 317,282).

(All amounts in New Turkish Lira in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

22. FOREIGN CURRENCY POSITION

2005	USD	EURO	Total YTL balance
Cash and cash equivalents	34,996	5,059,444	8,078,825
Advances given	231,711	3,420,237	5,740,536
Total foreign currency assets	266,707	8,479,681	13,819,361
Current borrowings	1,336,243	11,621,316	20,241,810
Trade payables	24,501,908	68,373,233	141,419,168
Other payables	--	27,960,175	44,386,778
Total foreign currency current liabilities	25,838,151	107,954,724	206,047,756
Non current borrowings	9,773,838	40,480,382	77,377,142
Foreign currency position, net	**(35,345,282)**	**(139,955,425)**	**(269,605,537)**

2004	USD	EURO	Total YTL balance
Cash and cash equivalents	519,786	958,642	2,560,149
Trade receivables	23,834,699	--	33,442,381
Total foreign currency assets	24,354,485	958,642	36,002,530
Current borrowings	6,982,438	8,018,427	25,110,828
Trade payables	56,690,199	23,350,101	124,136,429
Total foreign currency current liabilities	63,672,637	31,368,528	149,247,257
Non current borrowings	660,000	26,889,673	52,280,622
Foreign currency position, net	**(39,978,152)**	**(57,299,559)**	**(165,525,349)**

(All amounts in New Turkish Lira in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

2003	**USD**	**EURO**	**Total YTL balance**
Cash and cash equivalents	68,156	7,646	129,103
Total foreign currency assets	68,156	7,646	129,103
Current borrowings	2,520,368	2,704,124	9,803,084
Trade payables	13,175,531	15,018,516	53,079,407
Total foreign currency current liabilities	15,695,899	17,722,640	62,882,491
Non current borrowings	590,743	26,769,275	56,577,987
Other payables	14,188,776	--	21,882,259
Foreign currency position, net	**(30,407,262)**	**(44,484,269)**	**(141,213,634)**

(All amounts in New Turkish Lira in equivalent purchasing power at December 31, 2005 pursuant to IAS 29 unless stated otherwise.)

23. SUPPLEMENTARY CASH FLOW INFORMATION

Depreciation and Amortisation:

These are included in the following captions:

	2005	2004	2003
Cost of sales	26,226,668	22,577,232	17,153,169
Research and development expenses	1,173,586	1,057,669	695,533
Selling expenses	57,576	22,643	2,582
General and administrative expenses	346,058	438,175	143,439
	27,803,888	**24,095,719**	**17,994,723**

Adjustment to reconcile net income to net cash provided from operating activities:

Depreciation expenses	27,005,749	22,888,293	16,311,307
Amortization	798,139	1,207,426	1,683,416
Severance pay	268,135	873,409	327,768
Deferred tax	10,267,431	5,204,033	7,744,924
Accrued interest expense on borrowings	415,462	1,050,253	683,154
Allowance for doubtful receivables	1,201	(166)	1,367
Provision for taxes	795,805	12,394,856	--
Unearned interest expense on receivables	(2,036,878)	5,530,093	516,673
Provision for inventories	403,054	--	--
Unearned interest income on payables	(2,106,904)	(1,256,498)	757,640
	35,811,194	**47,891,699**	**28,026,249**

Changes in operating assets and liabilities:			
Trade receivables	(4,434,647)	(116,412,082)	(21,076,137)
Inventories	(16,833,349)	(36,409,358)	(16,499,759)
Other current assets	(4,529,365)	(1,079,026)	466,382
Trade payables	(3,676,764)	110,831,764	36,558,965
Other current liabilities	49,058,843	1,732,906	(19,402,974)
	19,584,718	**(41,335,796)**	**(19,953,523)**

24. SUBSEQUENT EVENTS

a. On January 3, 2006, the Company obtained various loans from Denizbank A.Ş. amounting to USD 11,550,000. Interest rate is 4.25% and the loan matures in stages between November 2006 and March 2007.

b. On February 10, 2006, Vestel Group obtained a syndicated letter of credit facility from a foreign financial institution amounted to USD 120,000,000. The maturity of this facility is one year. The aggreement is signed by Vestel Elektronik Sanayi ve Ticaret A.Ş., Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş., Vestel Dijital Üretim Sanayi A.Ş., Vestel Komünikasyon Sanayi ve Ticaret A.Ş. and Vestel Holland B.V.. These companies were borrowers and guarantors to this facility.

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