

CORPORATE GOVERNANCE COMPLIANCE REPORT

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1- STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Vestel White Goods Incorporated's project to install corporate governance mechanisms in the Company that was launched in mid-2006 was brought to completion by the end of the same year. Having gone public during the course of 2006, the Company undertook restructuring in line with the basic principles of transparency, equitability, accountability and responsibility. The restructuring is an evidence of the value attached by the Company to its investors and stakeholders.

Although the work on Corporate Governance practices was commenced by mid-2006, the first preparations therefor had been started prior to the IPO. At its last general meeting held before the IPO, the Company made a series of modifications to its articles of incorporation so as to facilitate the establishment of Corporate Governance Principles and to present its new shareholders with an equitable, accountable, responsible and transparent structure. By these modifications, the new investors and minority shareholders have been granted rights, which are envisaged by the Corporate Governance Principles and yet put into practice only by a small number of companies. Radical changes were made to the management structure targeting "a better management".

The modifications made to the Vestel White Goods Inc.'s articles of incorporation in line with the Corporate Governance Principles are summarized below:

- Minority rights, pursuant to the Capital Markets Law Article 11 as amended by Law 4487, has been granted to "shareholders having at least 5% stake in the capital". This ratio is stipulated as 10% in the Turkish Commercial Code (TCC) (Article 27).
- Shareholders controlling at least 5% of the Company's issued capital have been granted the right to call upon the Board of Directors to convene with a written request incorporating grounds for calling such meeting (Article 28).
- Minority shareholders have been granted the right to invite the general meeting to convene (Article 27).
- Minority shareholders have been granted the right to propose motions concerning general meeting agenda items (Article 27).
- The qualities required to be possessed by the members of the Board of Directors have been included in the articles of incorporation (Article 8).
- An additional requirement has been introduced to the articles of incorporation imposing "age limitation for Board members", a matter which is not covered in the CMB's Corporate Governance Principles but which is regarded important in internationally accepted principles. In keeping with this, the age limit for Board members was set as 75 (Article 8).
- A provision has been included in the articles of incorporation concerning the public disclosure of the grounds for dissenting votes cast by independent members on the Board of Directors (Article 10).
- To assure efficiency of the Board meetings, a rule has been added to the articles of incorporation to the effect that any member failing to attend 3 consecutive meetings without the Board's permission will be deemed to have resigned his seat (Article 10).
- Board members are prevented from attending Board meetings concerning the interests of them, their spouses and/or relations to the third degree affiliated by blood or marriage by the articles of incorporation (Article 10.)
- A rule has been added to the articles of incorporation requiring that decisions allowing board members to compete with the Company be approved by ? of the attendants in the relevant general meeting (Article 11).
- Committees under the Board of Directors and principles relating thereto have been added to the articles of incorporation (Articles 34, 35, 36).
- Roles and responsibilities of the Board of Directors have been detailed in the articles of incorporation (Article 11).

After revision of the articles of incorporation, initiatives relating to Corporate Governance practices were furthered with the establishment of Corporate Governance mechanisms at the Company. While the Board of Directors was vested in greater efficiency with independent members, committees under the Board also served the same target.

These changes made in line with Corporate Governance Principles are summarized below:

- Two independent members were appointed to the Board of Directors in line with Corporate Governance Principles.
- The Board of Directors was vested in a structure that complies with the Corporate Governance Principles.
- An Audit Committee has been set up on 23 March 2006 and started functioning under the chair of an independent member. Operating principles of the Audit Committee were put in writing.
- A Corporate Governance and Appointments Committee has been set up on 23 March 2006 and started functioning under the chair of an independent member. Operating principles of the Corporate Governance and Appointments Committee were put in writing.

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- A secretariat under the Board of Directors has been created whose functions are to ensure that board meetings are held systematically, that meeting minutes are properly maintained and archived, and that board members have convenient access to the Company's information.
- The Company's public disclosure policy has been prepared in writing and will be submitted to those attending the general meeting.
- A website has been developed to achieve maximum public disclosure in a rapid, equitable, accurate and complete manner in line with Corporate Governance Principles.

In the implementation of Corporate Governance Principles, certain principles that do not conform to the Company's structure and that are regarded as potential obstacles against its activities were excluded. These principles and the reasons for opting not to comply therewith are summarized below:

- Cumulative voting: The Company does not make use of the cumulative voting method. However, the representation to be provided by cumulative voting on the Board of Directors is achieved by the presence of independent members on the Board.
- Individual right to request appointment of a special auditor in the articles of incorporation: The right to request appointment of a special auditor is stipulated by Article 356 of the Turkish Commercial Code (TCC). Due to the fact that this right is vested in the shareholders by legislation and takes place among "optional" principles in the Corporate Governance Principles, it is not separately covered in the Company's articles of incorporation.
- The Company's articles of incorporation contain no provisions stipulating that material decisions such as "demergers and share exchanges, buying, selling, or leasing substantial amounts of tangible/intangible assets, or donations and grants, or giving guarantees such as suretyship, mortgage in favor of third parties" are required to be taken at a general meeting. The underlying reason is that the nature of the business in which the Company is involved requires it to buy, sell, and lease quite frequently. Having to hold a general meeting every time such a transaction takes place is considered to be impossible and so no such article has been included in the articles of incorporation. This practice is refrained from in order to ensure that deals are made quickly and to prevent opportunities from being missed.

During the implementation of Corporate Governance Principles, the Company's Board of Directors, senior management and all employees supported the activities and participated in the relevant efforts. With this huge support Vestel White Goods Inc. was able to establish its approach to management which is responsible, accountable, transparent and equitable towards its shareholders no matter what the size of their stakes in the Company may be.

Ahmet Nazif Zorlu
Chairman of the Board

Cem Köksal
Board Member

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PART I- SHAREHOLDERS

2- INVESTOR RELATIONS UNIT

Vestel White Goods Inc. carries out its relations with shareholders through Vestel Group of Companies Investor Relations and Corporate Finance Department. Contact information for this department are as follows:

Department Director: Figen Çevik
 Address: Vestel Şirketler Grubu Zorlu Plaza 34310 Avcılar – İstanbul
 Phone: (212) 456 24 27 (direct)
 Email: figen.cevik@vestel.com.tr

The principal activities carried out by the Corporate Finance and Investor Relations Department in 2006 on behalf of Vestel White Goods Inc. are summarized below:

- IPO roadshow (London, New York and Frankfurt)
- Deutsche Securities Conference, New York
- Global Investment Conference, London
- ING Barings Conference, Prague
- About 20 face-to-face contacts

- During the reporting period about 90 queries were received by Vestel White Goods Inc. Of these, 70% were by e-mail and about 30% by telephone.
- All these queries were responded to verbally and in writing by phone, email and post. The responses were made in a clear, intelligible and detailed manner to the satisfaction of investors within the framework of the Company's public disclosure policy and in such a way as not to reveal any confidential information.

3- SHAREHOLDERS' EXERCISE OF THEIR RIGHT TO OBTAIN INFORMATION

- During 2006, queries have been received from investors and stakeholders in a variety of topics. The distribution of these queries on the basis of their contents is presented below:

33% - IPO (30 queries)
 17% - share prices (15 queries)
 17% - various questions (15 queries)
 33% - operational and financial performance (30 queries)

All of these queries were responded to as quickly and in as much detail as possible.

- The company website was developed in early 2007 and for the purpose of maximizing the ability of shareholders to exercise their important right to obtain information, all of the information set out in relation to the website by the CMB's Corporate Governance Principles were posted on the website. The Investor Relations and Corporate Finance Unit is responsible for the updating and monitoring of the website.
- Vestel Electronics website and disclosure of material events have been the tools used in 2006 for the disclosure of developments that might have an impact on the shareholders' exercise of their rights. More effective disclosure has been enabled upon establishment of the Company's new website in 2007.
- A request to have a special auditor appointed is not provided for in the Company's articles of incorporation. Due to the fact that this right is stipulated by Article 356 of the TCC in respect of the minority shareholders holding 10% stake in the capital, it was deemed unnecessary to make a separate provision for this. The Company received no requests for the appointment of a special auditor in the reporting period.

4- INFORMATION ABOUT GENERAL MEETINGS

- Vestel White Goods Inc. held its ordinary general meeting for 2005 at 10:00 AM on 23 May 2006 at the address of Zorlu Plaza, Avcılar-İstanbul.
- The invitation for Vestel White Goods Inc. ordinary general meeting was announced by registered mail sent to shareholders due to the fact that the Company was not public-floated at the time.
- Of the 138,000,000 shares corresponding to the Company's total capitalization of TRY 138,000,000, 62,099,998 shares corresponding to TRY 62,099,998 in capital were represented at the meeting in person, and 75,900,002 shares corresponding to TRY 75,900,002 were represented in proxy. 100% attendance was achieved at the general meeting.

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- There is no period of time stipulated in which the holders of registered shares must have entries made in the shareholders' register in order to take part in general meetings.
- Before the general meeting, the annual report, financial statements and the articles of incorporation were made available for the inspection of shareholders at the Company's own headquarters and at those of the Holding as well.
- Shareholders were allowed to ask questions at the general meeting. All questions coming from shareholders were responded to in detail. Shareholders introduced no motions during the meeting.
- The Company's articles of incorporation contain no provisions requiring material decisions such as demergers or buying, selling, or leasing substantial amounts of assets and property to be taken at a general meeting. The reason for this is the fact that the nature of the business in which the Company is involved requires it to buy, sell, and lease quite frequently. Having to hold a general meeting every time such a transaction takes place is not deemed to be possible and so no such article has been included in the articles of incorporation. This practice is refrained from in order to ensure that deals are made quickly and to prevent opportunities from being missed.
- The minutes of the general meeting were made available for the examination of shareholders at the Company's own headquarters and at those of Vestel Holding, as well as on the website. As a result of changes made in the corporate website, all announcements, documents, and other materials related to general meetings are now accessible to shareholders and to all other stakeholders.

5- VOTING RIGHTS AND MINORITY RIGHTS

- Vestel White Goods Inc.'s articles of incorporation provide no privileges for the voting rights of any class or shareholder.
- The Company does not have any subsidiaries. For this reason, there are no cross-shareholding interests and therefore no need to disclose their impact on general meeting votes.
- At the last general meeting convened prior to the public floatation of the Company, no votes were cast with the company which has cross-shareholding interests with Vestel White Goods Inc. The Company's articles of incorporation were amended so as to incorporate the arrangements relating to minority shareholders (5%) as contained in the CMB's Corporate Governance Principles.
- Minority shareholders and stakeholders are not represented in the management. However, two independent members serve on the Board of Directors to ensure equal representation of minority shareholders primarily, and of all shareholders and stakeholders.
- The Company's articles of incorporation contain no provisions governing the cumulative voting method. The Company believes that the effect of cumulative voting on the Board of Directors is achievable by the presence of independent members on the board.

6- DIVIDEND DISTRIBUTION POLICY AND TIMING

- The Company's articles of incorporation provide no privileges concerning the distribution of profits. Each share of stock is entitled to an equal dividend.
- In accord with the dividend distribution policy established in the Board of Directors meeting held on 19 March 2007, the Company decided to distribute dividends that are equal to minimum 25% of the attributable profit in cash or in the form of bonus shares to the shareholders, including 2006-year profits. The amount of dividends to be distributed shall be proposed depending on national and global economic conditions and the Company's growth plan by the Board of Directors each year at the general meeting. The said policy shall be presented for the information of the shareholders at this latest general meeting.
- Because it has recently gone public, Vestel White Goods will hold its first public general meeting in 2007. Principles relating to dividend distribution shall be presented for the information of the shareholders at such general meeting. The Board of Directors also decided to propose at the general meeting that 50% of 2006 profits (attributable profit) be distributed in cash and that distribution be commenced on 21 May 2007.

7- TRANSFER OF SHARES

- The Company's articles of incorporation contain no provisions restricting the transfer of shareholding interests. Article 7 specifically states that "there are no restrictions on the transfer of shares in the Company to any third party within the framework of the provisions of the Turkish Commercial Code".

PART II- PUBLIC DISCLOSURE AND TRANSPARENCY

8- COMPANY DISCLOSURE POLICY

- Vestel White Goods Inc.'s public disclosure policy has been formulated in line with CMB Corporate Governance Principles and will be presented for the information of shareholders and attendants at the 2006 ordinary general meeting that will be convened in 2007. The policy has been approved by the Board of Directors and enforced.
- Vestel White Goods Inc.'s public disclosure policy has been formulated in 2006 in line with CMB Corporate Governance Principles and will be

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presented for the information of investors as an appendix to the annual report at the 2006 ordinary general meeting to be convened in 2007. This disclosure policy has been published on the corporate website.

The issues addressed by the Company's public disclosure policy are summarized below:

- The clarity, timeliness, and truthfulness of public disclosures.
 - The frequency and the ways in which information may be publicly disclosed.
 - Contents of the meetings to be held with, and disclosures to be made to, investors
 - Content of the disclosure on general meetings
 - Disclosure of material events
 - Disclosures to be made to the media
 - Arrangements concerning insider trading
 - Disclosure on dividend distribution
 - Persons authorized to make disclosures
 - Contents of disclosure sources (website and annual reports)
 - Periods during which disclosure is prohibited
 - Disclosures to be made regarding future matters
- The Board of Directors has formulated and approved the Company's public disclosure policy. The Board of Directors is responsible for the review, effectiveness and development of public disclosure policy. The Investor Relations and Corporate Finance Department monitors and follows up on public disclosure policy.

9- DISCLOSURE OF MATERIAL EVENTS

- A total of 11 material event disclosures were made in 2006 pursuant to CMB regulations. Neither CMB nor ISE requested any additional information concerning such disclosures.
- Vestel White Goods Inc.'s shares are not quoted on any overseas stock exchange.
- No delays occurred in any material event disclosures made to date, and all such disclosures were made in time.
- The Investor Relations Unit is responsible for making material event disclosures.

10- THE CORPORATE WEBSITE AND ITS CONTENT

- Vestel White Goods Inc.'s corporate website was created in early 2007 for the purpose of assuring intelligible, clear and equitable public disclosure to shareholders, stakeholders and the public at large.
- The corporate website contains the basic information whose disclosure is stipulated in article 1.11.5 of section II of CMB Corporate Governance Principles.
- The information posted on the website is constantly updated.
- The website is accessible at www.vestel.com.tr

11-DISCLOSURE OF THE COMPANY'S ULTIMATE CONTROLLING SHAREHOLDER(S)

The shareholder structure of Vestel White Goods Inc. is as follows:

SHAREHOLDERS	% SHAREHOLDING INTEREST	SHARE VALUE	NUMBER OF SHARES
Vestel Electronics Inc.	68.526312	130,199,993.0	130,199,993.0
Ahmet Nazif Zorlu	0.000001	1.0	1.0
Şule Zorlu	0.000001	1.0	1.0
Ömer Yüngül	0.000001	1.0	1.0
Bekir Cem Köksal	0.000001	1.0	1.0
Enis Turan Erdoğan	0.000001	1.0	1.0
Ekrem Pakdemirli	0.000001	1.0	1.0
Recep Yılmaz Argüden	0.000001	1.0	1.0
Quoted on the ISE	31.473684	59,800,000.0	59,800,000.0
TOTAL	100.000000%	190,000,000.0	190,000,000.0

The Company has no non-corporate ultimate controlling shareholders.

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12-PUBLIC DISCLOSURE OF THOSE WHO MAY HAVE ACCESS TO INSIDER INFORMATION

- Vestel White Goods Inc. achieved compliance with the Capital Markets Law and applicable legislation with respect to insider trading, and also formulated an insider trading policy to be implemented across the Company.
- Individuals who may have access to insider information about the Company are listed below.

Ahmet Nazif Zorlu	Chairman of the Board of Directors
Prof. Ekrem Pakdemirli	Vice Chairman of the Board of Directors
Şule Zorlu	Board Member
Dr. Yilmaz Argüden	Board Member
Ömer Yüngül	Board Member & Member of the Executive Committee
Enis Turan Erdoğan	Board Member & Member of the Executive Committee
Cem Köksal	Board Member & Member of the Executive Committee
Serif Ari	Statutory Auditor
İzzet Güvenir	Member of the Executive Committee
Cengiz Ultav	Member of the Executive Committee
İhsaner Alkim	Member of the Executive Committee
Necmi Kavuşturan	Member of the Executive Committee
Özer Ekmekçiler	Member of the Executive Committee
Nedim Sezer	General Manager
Umut Gönen	Assistant General Manager for Procurements
Alp Dayı	Assistant General Manager for Financial Affairs
Samim Hünakinci	Finance Officer
Cem Kadırgan	Financial Affairs Officer
Figen Çevik	Corporate Finance and Investor Relations Director
Serhat Tolga Dönmez	General Manager for Refrigerator Factory
Hakan Akıncı	General Manager for A/C Factory
Cevdet Yavuz	General Manager for Cooking Devices Factory
Erdal Haspolat	General Manager for Dishwasher Factory
Aykut Kemal Öğünmüş	Accounting Manager
Arif Şirin	Control Budget Planning Manager
Halil Turan	Technology Development and Industrial Design Manager
Coşkun Özkan	Internal Audit Manager
Şenol Toygar	Business Evaluation Officer
Aykut Halit	Grant Thornton Independent Auditors
Emre Halit	Grant Thornton Independent Auditors
Hayrunisa Ari	Arilar Independent Auditors
Şerif Ari	Arilar Independent Auditors

PART III- STAKEHOLDERS

13- KEEPING STAKEHOLDERS INFORMED

- Stakeholders in the company can be classified as employees, suppliers, financing sources and the public. The Company's overseas sales are handled by Vestel Foreign Trading Inc. (VFT), a Vestel Group company, and domestic sales by Vestel Durable Goods Marketing (VM), again a Vestel Group company.
- Vestel White Goods takes on customer visits predominantly in the domestic market via VM and VFT. Based on the assessments arising from these face-to-face contacts, customer satisfaction can be directly observed and complaints can be addressed on location. As and when necessary, improvement work is undertaken, and in line with the customer complaints received via these companies or directly by Vestel White Goods, improvement work is carried out. In addition to these, periodic meetings are held with VDT and VM to discuss the actions taken to satisfy customer expectations and to maximize the level of quality. At certain periods, customer satisfaction surveys are administered at these two companies, and with end-consumers via these companies.
- Stakeholders are periodically informed about company-related issues that may be of concern to them. Employees are informed by emails and also by the Intranet. Furthermore, periodic interdepartmental meetings and periodic meetings for the employees are held. Stakeholders are kept informed within the framework of the Company's disclosure policy.

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14- STAKEHOLDER PARTICIPATION IN MANAGEMENT

- There is no model designed to involve stakeholders in the management. However, making up one of the major component of stakeholders, the employees are represented by three members that serve on the management as well as on the Executive Committee of Vestel Group. In addition, senior executives are invited to Board of Directors meeting to present information.
- Two independent members serving on the Board of Directors represent the shareholders and other stakeholders in the management.
- The member of the Executive Committee responsible for Human Resources represents the group of employees at the Executive Committee of Vestel Group.

15- HUMAN RESOURCES POLICY

- The Company's human resources policy is set down in writing and covers all issues related to hiring, promotion, dismissal, compensation, career planning, performance measurement system, reflection of performance results on compensation, and training policies.
- The Human Resources Unit is organized as Administrative Affairs and Human Resources Unit. The unit is responsible for the formulation, development, and monitoring of HR policies. In addition, Zorlu Holding HR Department monitors and supports HR-related work. Zorlu Holding HR Officer also serves on the Executive Committee of Vestel Group. This enables continuous information flow from the employees to the management about all matters.

The HR policy addresses the following matters:

- Criteria for hiring, promotion and dismissal are set down in writing. Details regarding hiring criteria are spelled out in the recruitment regulation, and those on promotion are in the promotion regulation. There are two types of promotion mechanisms at the company: vertical and horizontal.
- Performance criteria have been formulated for employees and started to be implemented almost two years ago. Recently performance measurement has been revised, and developed and upgraded on the SAP system. By the revised version, measurement methods became more objective.
- Employees are kept informed periodically by Intranet and email systems. Employees are informed also on training processes. Each unit holds internal meetings at certain periods. These meetings are production meetings (every morning at the factories), every Monday (departmental meetings), happy hour gatherings (on Fridays), quality management meetings (bimonthly), budget meetings (monthly) and R&D new product meetings (monthly).
- Employees are offered comprehensive training programs, which are designed to provide them with the opportunity to move forward in their careers. A trainings catalogue has been prepared and shared with the employees. The employees are given the chance to select training programs in line with their career planning and aspirations.
- Employees are provided with orientation programs. The program for each department and position is devised individually, and presents differences in terms of duration and content.
- An employee satisfaction survey (expectation-findings survey) is administered in order to measure employee satisfaction level. The survey is carried out annually and its results are evaluated duly.
- The Company formulated performance criteria to enhance efficiency and measure the performances of employees. Due to the presence of different function groups in the Company, separate criteria have been identified and applied for each group. Performance criteria are developed in two different groups of criteria: subjective and objective. Reflection of performance measurement outcomes on compensation is also incorporated into this system.
- All employees are treated equally and without any discrimination whatsoever (on the basis of ethnicity, language, religion, race, gender, etc.) in all matters involving training, career development, promotion, etc.
- There were no complaints from employees concerning discrimination. Measures are taken to prevent any practices that might cause discrimination among employees and all employees are treated equally without any distinctions being made among them.

16- RELATIONS WITH CUSTOMERS AND SUPPLIERS

- The only customers of Vestel White Goods Inc. are Vestel Foreign Trading Inc. and Vestel Durable Goods Marketing Inc. which undertake the marketing and sales of the Company's products. Therefore, the marketing and sales activities of goods and services are under the responsibility of these two companies that are under the Group umbrella.

17- SOCIAL RESPONSIBILITY

- Although Vestel White Goods Inc. is not directly involved in any project within the scope of social responsibility, it participates in efforts undertaken by Zorlu Holding.
- As an industrial company, Vestel White Goods acts responsibly towards the nature and the environment. Inspections are caused to be carried out frequently to monitor the environmental compatibility of the activities performed and reports on environmental-compatibility are obtained.
- ISO 9001:2000 certification has been earned from the TSE (Turkish Standards Institution).

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In addition to these efforts, the measurements taken are listed below:

- RoHS (2002/95 EC) directive has been put into implementation on 1 January 2006.
- WEEE (2002/96 EC) directive has been put into implementation on 1 January 2006.
- Compliance was achieved with packaging and packaging waste regulation as of 1 January 2005.
- Compliance with Montreal and Kyoto protocols concerning ozone layer depletion and greenhouse effect has been achieved ever since the Company's foundation.
- All existing products, as well as those that are in design phase, are compliant with the TSE and CE standards.
- All products hold KEMA and UL approvals for Europe and the USA, respectively.
- Special products hold SASO approvals for their sales to the Middle East and are compliant with special certificates for sales made to non-European countries.
- Potential environmental risks have been identified by the Company for each department, and operations are carried out with keen consideration of these risks.
- The Company was not in breach of any rule or regulation concerning environmental protection in 2006.

Vestel White Goods' policy in relation to the environment, occupational health and safety is as follows:

- Satisfies its legal obligations and administrative conditions towards employees and the rules of organizations to which it is a member,
- Achieves constant improvement through incorporation of international standards, new technologies and employees' suggestions in its practices,
- Devises and implements plans that will prevent potential occupational accidents and diseases by undertaking occupational health and safety risk analysis,
- Offers constant training to employees to instill the correct behavioral habits with regard to potential health and safety risks
- Generates the operational principle to review the policy according to changing conditions so as to eliminate or minimize unsafe elements and unsafe acts at workplaces with a view to prevent or reduce occupational accidents; to frequently review working conditions and to take necessary actions with regard to problematic areas; and to secure funds for such actions,
- Espouses the principles of fitness of work to the worker and of the worker to the work in order to prevent or reduce accidents.

PART IV- BOARD OF DIRECTORS

18- STRUCTURE AND COMPOSITION OF THE BOARD OF DIRECTORS AND INDEPENDENT MEMBERS

Name	Position	Age	Term of office	Classification	Educational background	Previous Experience
Ahmet Nazif Zorlu	Chairman	62	1-3 years	Non-executive	Primary school	-
Ekrem Pakdemirli	Deputy Chairman	67	1-3 years	Independent	University	<ul style="list-style-type: none"> - Member of the Parliament - Deputy Prime Minister - Faculty member of Bilkent, Başkent and Ege Universities - Deputy Rector with Dokuz Eylül University
Şule Zorlu	Board Member	30	1-3 years	Non-executive	University	Served successively in various capacities in Zorlu Group companies
Ömer Yüngül	Board Member	51	1-3 years	Executive	University	Vestel White Goods (General Manager)
Enis Turan Erdoğan	Board Member	51	1-3 years	Executive	University	Ekinciler Holding
Recep Yılmaz Argüden	Board Member		1-3 years	Independent	University	<ul style="list-style-type: none"> - Chief Consultant to the Prime Minister - Chairman of Erdemir
Bekir Cem Köksal	Board Member		1-3 years	Executive	University	Vestel Electronics Financial Affairs Officer

- Four of the board's seven members are non-executive members and three are executive members.
- The chairman of the board and the chief executive officer are different individuals. The chairman of the board is Ahmet Nazif Zorlu and the chief executive officer is Nedim Sezer.
- Board members Ekrem Pakdemirli and Yılmaz Argüden are independent members who satisfy CMB corporate governance principles pertaining to independence criteria. Nothing occurred during the reporting period that changed the independent status of the independent members.
- No restrictions are imposed on board members' undertaking one or more duties outside the company.

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19- QUALIFICATIONS OF BOARD MEMBERS

- The minimum qualifications required of members of the Board of Directors coincide with those stipulated in articles 3.1.1, 3.1.2, and 3.1.5 of section IV of the CMB's corporate governance principles.
- The minimum qualifications required of members of the Board of Directors are spelled out in Article 8 of the Company's articles of incorporation and are implemented.
- To date there has been no need for a training or orientation program for board members. If such a program does become necessary, it will be carried out by the Corporate Governance Committee.

20-MISSION, VISION AND STRATEGIC GOALS OF THE COMPANY

- The Company's mission, vision, objectives, and values are formulated in writing.
- The Board of Directors approves the strategic goals formulated by company management. Ideas pertaining to the Company's strategic goals may be suggested by both board members and company managers. The board is certain to consult management on the goals it formulates. Goals formulated by management are first debated among management and then submitted to the Board of Directors, which approves them at its discretion. Managers are also invited to attend meetings at which strategic goals are discussed. Work to implement these goals as quickly as possible is begun immediately. Performance in achieving these goals is measured at quarterly intervals and on the basis of the Company's year-end results.
- At least once a year the Board of Directors convenes to conduct an annual review and assessment of the degree to which the Company has accomplished its objectives and of its activities and performance.

21- RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

- The Company's Board of Directors has created a risk management and internal control mechanism within the Company to measure existing and potential risks and to deal with them. The Company's internal control mechanism has been formulated employing the SAP system.
- The Vestel White Goods Inc. Board of Directors is responsible for the creation and reliable operation of a risk management and internal control mechanism that will minimize the impact of risks on the Company.
- The Company's internal control system oversees all matters related to finance, operations, and compliance and it assesses the measurement of risk at regular intervals and determines the level that it is at. The entire mechanism is also reviewed at regular intervals and any defects that might impair its effectiveness are corrected as soon as possible. In the conduct of these activities, Vestel also employs its SAP system as an effective operational program.

22- AUTHORITIES AND RESPONSIBILITIES OF BOARD MEMBERS AND EXECUTIVES

- The authorities and responsibilities of board members are spelled out in article 11 of the Company's articles of incorporation.

23- PRINCIPLES OF ACTIVITY OF THE BOARD OF DIRECTORS

- In principle, agendas for board meetings are determined by the chairman and other members. However, requests coming from company management are taken into consideration in determining meeting agendas.
- As stipulated in article 10 of the articles of incorporation, the Board of Directors must meet at least once a month and twelve times a year. The board met a total of 12 times during the reporting period. The overall rate of attendance at these meetings was 90%. To increase attendance at meetings, meeting dates were set and notified to the members at the start of the year. In addition, in order to encourage attendance at meetings the following rule was added to the articles of incorporation: "A member of the Board who does not take part in three consecutive meetings shall be deemed to have resigned his seat."
- Invitations to meetings are made by mail, fax, and e-mail. In line with corporate governance principles, a secretariat that has been set up within the Vestel Group notifies board members of meetings at least a week (seven days) in advance of the meeting date, providing them with the agenda and documents related to the matters on the agenda.
- In principle, in matters where difference of opinions are voiced by the members at a Board meeting, reasonable and detailed justifications for dissenting votes must be entered into the record. In addition, justifications for dissenting votes relating to matters in which independent members voiced different opinions are publicly disclosed. However, to date there has never been an instance of difference of opinions either on the part of independent or other members.
- Board members are personally present at board meetings that will vote on the issues stipulated in article 2.17.4 of section IV of CMB's corporate governance principles as requiring the actual attendance of board members at meetings.
- No board members, including the chairman, have preferential voting rights or the right to veto board decisions. Each member, including the chairman, possesses an equal vote.

CORPORATE GOVERNANCE COMPLIANCE REPORT

24- PROHIBITION ON DOING BUSINESS OR COMPETING WITH THE COMPANY

- One of the items included on the agenda of each year's general meeting and voted on by the shareholders pursuant to articles 334 and 335 of the Turkish Commercial Code is concerned with Vestel Board of Directors members doing business and competing with the Company. In addition, article 11 of the Company's articles of incorporation stipulates that such approval can be decided with the consent of 2/3 of the attendants at the general meeting.
- No board member did any business with the Company in 2006, nor were there any matters that might lead to competition with the Company or any conflict of interest.

25- CODE OF ETHICS

- Vestel White Goods' code of ethics has been written up and published on the corporate website within the framework of its public disclosure policy. The employees have been informed on the code of ethics. Utmost care is given to ensure that the code of ethics formulated for the Company, its board members, and its employees is complied with.

26- NUMBER, STRUCTURE, AND INDEPENDENCY OF COMMITTEES ESTABLISHED BY THE BOARD OF DIRECTORS

- The Vestel White Goods Inc. Board of Directors has set up a corporate governance and appointments committee and an audit committee in line with Capital Markets Board corporate governance principles.
- No committee member serves on more than one committee.

The principles relating to the Audit Committee are as follows:

- The Audit Committee was set up by a Board of Directors resolution dated 23 March 2006 pursuant to article 3 of CMB Communiqué X:19. This committee is responsible for the effective oversight of all financial and operational activities.
- The Audit Committee is structured in accordance with Capital Markets Board corporate governance principles and consists of at least two members.
- The head of the committee has been selected from among the Company's independent board members and attention is also given to the possession of specific qualifications. The head of the Audit Committee should have previously served in a similar position, should have the knowledge and experience needed to analyze financial statements, should be versed in accounting standards, and otherwise be highly qualified.
- The head of the Audit Committee is Ekrem Pakdemirli, an independent board member. The other member is Cem Köksal. In the distribution of duties in the Board of Directors for 2007, it is planned to select the Audit Committee member from amongst non-executive board members.
- The Audit Committee meets at least four times a year (once in each quarter) and this is stipulated in the articles of incorporation (Article 35).
- The minutes and decisions of the Audit Committee are recorded and archived by the secretariat. The Audit Committee meets before the announcement of financial statements in each fiscal year.

The committee carries out its activities in accordance with detailed working principles that have been written up. The activities of the Audit Committee in 2006 were as follows:

- Monitoring the Company's financial and operational activities
- Overseeing existing and potential risks,
- Oversight and approval of the financial statements' compliance with laws and their transparency,
- Monitoring the effectiveness and performance of the independent audit,
- Oversight of the internal audit function and its efficiency,
- Holding meetings with independent auditors,
- Monitoring the effectiveness and adequacy of the internal control system,
- Assessment of the findings obtained on the internal control system and reporting thereof to the Board of Directors,
- Examination and approval of the reports on internal control and internal audit.

Corporate Governance and Appointments Committee

- The Corporate Governance and Appointments Committee was set up by a Board of Directors resolution dated 23 March 2006 pursuant to the CMB Communiqué on Corporate Governance Principles. This committee is responsible for monitoring the Company's compliance with corporate governance principles and for making recommendations to the Board of Directors concerning company appointments.
- The Committee consists of 2 individuals selected from amongst the Board members. The head of the Corporate Governance Committee is Yılmaz Argüden, who has been elected from amongst non-executive members. The other member is Şule Zorlu.
- The Corporate Governance and Appointments Committee is required to meet at least three times a year. In 2006 the committee met three times.

CORPORATE GOVERNANCE COMPLIANCE REPORT

The committee carries out its activities in accordance with detailed working principles that have been written up. The activities carried out by the Committee in 2006 consisted of:

- Establishing corporate governance principles throughout the Company,
- Developing recommendations pertaining to the structure and effectiveness of the Board of Directors,
- Structuring the Investor Relations Unit and coordinating its activities

27- FINANCIAL BENEFITS PROVIDED TO THE BOARD OF DIRECTORS

- The attendance fees to be paid to the members of the Board of Directors and to the statutory auditors are determined every year at the general meeting.
- As of June 2006, the members of the Vestel White Goods Board of Directors were being paid TRY 50,000 (gross) a year in total, which is commensurate with precedents in the sector. The statutory auditors were being paid TRY 2,232 a year each. The amounts for the year 2007 will be decided at the 2006 ordinary general meeting. No other benefits are granted to the Board members.
- There are no performance measurement and performance-based rewarding scheme for the Board members.
- The Company has extended no loans or credit to any Board member or manager, nor has it lent money under the name of personal loans through a third party or given any guarantees such as suretyship in their favor.

PROFIT DISTRIBUTION POLICY AND PROPOSAL

In line with a resolution passed at a meeting of the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. held at the company headquarters on 19 March 2007, it was decided to distribute at least 25% of the company's net distributable profits (including its 2006-year profit) to shareholders in accordance with the dividend policy specified by the board either as a cash payment or in the form of shares of stock. The amount of dividend to be paid is proposed by the Board of Directors at the ordinary general meeting of shareholders that is held every year on the basis of national and international economic conditions and the company's growth plans.

Profit distribution proposal for the 1 January 2006-31 December 2006 fiscal year

At a meeting of the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret AŞ held at the company's headquarters on 26 March 2007 it was ascertained that the company had a net current profit in the amount of TRY 64,291,271.00 remaining after subtracting TRY 8,778,220.00 in payable tax from the current profit in the amount of TRY 73,069,491.00 from activities in 2006 as calculated in accordance with the Capital Markets Law and CMB regulations and that there was a net current in the amount of TRY 56,911,457.20 remaining after subtracting TRY 7,087,629.85 in payable tax from the current profit in the amount of TRY 63,999,087.05 as calculated on the basis of the company's legal books of account. It was therefore decided to propose to the general meeting that TRY 30,736,267.57 corresponding to 50% of TRY 61,472,535.14, which amount is arrived at by adding donations to the net distributable profit according to capital market regulations of TRY 61,445,698.14 remaining after a first legal reserve in the amount of TRY 2,845,572.86 has been set aside, be distributed as a first dividend and that the remaining TRY 28,585,803.81 be retained as an extraordinary reserve.

The dividend payable on one share of stock is calculated as follows:

- From the total amount of TRY 30,736,267.57 that is to be distributed, a gross dividend in the amount of TRY 0.16177 is payable on a single share of stock with a par value of TRY 1.00.
- A net dividend of TRY 0.16177 will be paid to resident corporate entities from which income tax need not be withheld.

21 May 2007 will be proposed to the general meeting as the date on which the distribution of these dividends will begin.