



Green technology for
a livable future...

VESTEL WHITE GOODS
Annual Report 2008

VESTEL

IN 2008

VESTEL WHITE GOODS...

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In addition to being the only company providing OEM and ODM services exclusively for Europe's A-brand manufacturers, Vestel White Goods' ability to develop its own technology and designs based on its in-house R&D strengths enables it to appeal to broad range of consumers.



Corporate Profile

VESTEL WHITE GOODS: ONE OF THE STRONGEST PLAYERS IN THE SECTOR

Adhering to a strategy of rapid but sound growth, Vestel White Goods' total production capacity has grown steadily over the years as a result of investments and increased demand for its products. Today it numbers 7,750,000 units a year.

One of the engines of the Vestel Group of Companies is Vestel White Goods, a leading manufacturer of home appliances. At its plant facilities in Manisa with 311,799 m² of enclosed space, Vestel White Goods produces refrigerators, washing machines, air conditioners, cookers, and dishwashers. Adhering to a strategy of rapid but sound growth, Vestel White Goods' total production capacity has grown steadily over the years as a result of investments and increased demand for its products. Today it numbers 7,750,000 units a year.

Vestel White Goods' marketing and sales activities are handled by Vestel Durable Consumer Goods Marketing, a wholly-owned subsidiary of its parent and principal shareholder, Vestel Electronics. In its home market in Turkey, Vestel White Goods' products are sold through a network consisting of 1,050 Vestel stores, 1,400 dealerships (650 of them with Regal signage), and 400 authorized service outlets (electronics, white goods, air conditioners, and IT). The Company's international marketing and sales are carried out by subsidiaries located in 10 European countries.

Vestel White Goods is strongly positioned in its home market with an extensive product line and a recognized and trusted name. The Company controls domestic market shares ranging between 10% (dishwashers) and 15% (refrigerators). In addition to "Vestel" branded products in domestic market, the Company also makes sales under the "Regal" name (to distributors) and under the "SEG" name (to retail supermarket chains) as well as under a number of private label agreements.

Vestel White Goods' exports and market shares have been increasing strongly in recent years. In the European market, the Company acts as and provides OEM and ODM services to:

- > A-brand manufacturers
- > Retail market chains
- > Distributors.

In keeping with the Company's strategy as an OEM/ODM service provider, Vestel White Goods does not compete directly with its customers' own brands.

Vestel's sales in Turkey and some nearby regions (Turkic Republics, Middle East, North Africa) are made under the Vestel and Regal brand names.

On a unit basis, the Company controlled a 40% share of Turkey's washing machine exports in 2008 and a 32% share of refrigerator exports. In cookers, production of which commenced in the last quarter of 2005, the Company's share of exports reached the 18% level in 2008. 80% of Vestel White Goods' exports are sent to European countries. Paralleling the growth both in its product line and in its customer base, the Company's shares of the home appliance sector's exports are expected to go on increasing in the future.

Vestel White Goods booked total sales worth USD 974 million in 2008.

In addition to being the only company providing OEM and ODM services exclusively for Europe's A-brand manufacturers, Vestel White Goods' ability to develop its own technology and designs based on its in-house R&D strengths enables it to appeal to broad range of consumers. Vestel White Goods also distinguishes itself with a growing line of environment-friendly products and model variations. Building upon its successes year after year, in 2007 Vestel White Goods ranked 30th among the İstanbul Chamber of Industry's list of Turkey's top 500 concerns.

Since 2006, 31.5% of Vestel White Goods' shares have been trading on the İstanbul Stock Exchange under the symbol VESBE. The Company's majority shareholder is Vestel Electronics, which controls a 72.6% stake including 4.1% of Vestel White Goods' publicly traded stock.



Milestones of Growth

Building upon its successes year after year, in 2007 Vestel White Goods ranked 30th among the İstanbul Chamber of Industry's list of Turkey's top 500 concerns.

1997-2008

Vestel White Goods;

1997 Founded in Manisa.

1999 Begins manufacturing refrigerators.

2000 Begins manufacturing air conditioning units at its refrigerator factory.

2003 Launches production of washing machines incorporating its own technology and design expertise. Air conditioner factory enters production.

2005 Production begins at second refrigerator factory. Production capacity at washing machine plant increased. Production of cookers gets underway. Investment in dishwasher production begins towards year end.

2006 31.5% of the Company's shares are publicly floated. Work continues at full pace on dishwasher investment.

2007 Dishwasher production facility enters production.

2008 **Having completely rounded out its product line, Vestel White Goods' investments from now on will be focused on R&D and innovation as one of the sector's leading and pioneering companies.**



Zorlu Group and Vestel Group

With brands that Turkey takes pride in, facilities that carry Turkish industry into the future, and uninterrupted investment in business and society, the Zorlu Group today produces and works for Turkey.

The story of the Zorlu Group dates back to its foundation in the early 1950s in a small textile atelier in the town of Babadağ in Denizli province. Growing and gaining strength in textiles by creating globally recognized brands, the Zorlu Group translated its success in textiles into the businesses of brown and white goods and digital products through Vestel and into the energy sector through Zorlu Energy. In 2006, the Zorlu Group made a bold and successful entry into real estate investment and development in order to tap the huge growth potential that it saw there and it undertook a number of investments in İstanbul as well as in İzmir and Marmaris.

With brands that Turkey takes pride in, facilities that carry Turkish industry into the future, and uninterrupted investment in business and society, the Zorlu Group today produces and works for Turkey.

With 25 thousand employees and total assets worth more than TL 10 billion and in keeping with its philosophy "If we're going to go, then go as far as we can. If we're going to ascend, then go as high as we can. If we're going to be, then be the best we can be", the Zorlu Group continues to increase the visibility of the Zorlu name in the global arena as well as the confidence that is felt in it.

Zorlu Group

TEXTILES GROUP

Korteks
Zorluteks
Linens Marketing
Zorlu Foreign Trade

VESTEL GROUP OF COMPANIES

Vestel Electronics
Vestel White Goods
Vestel Digital
Vestel Foreign Trade
Vestel Durable Goods Marketing
Vestel CIS
Vestel Defense Industrials
AYESAŞ
Birim
Vestel Germany
Vestel France
Vestel Iberia
Vestel Italy SRL
Vestel Holland BV
Vestel Trade
Vestel UK limited
Vestel Electronica SRL
OY Vestel Scandinavia AB
UTS-United Technical Services, SPOL S.R.O.
Vestpro Electronics S.A.
Dexar Multimedia & Telecommunications
Vestel USA
CABOT Communications Ltd.
Vestel Electronic India
Vestek Electronics Research & Development
Deksarnet Telecommunications
Intertechnika LLC (Russia)

ENERGY GROUP

Zorlu Energy
Zorlu O&M
Zorlu Industrial
Rotor
Zorlu Hydroelectric
Zorlu Electricity
Zorlu Petrogas
Amity Oil International
Zorlu Natural Gas
Thrace Region Natural Gas Distribution
Gaziantep Natural Gas Distribution
Rosmiks LLC (Russia)
Zorlu Energy Pakistan
Dorad Energy (Israel)
Ashdod Energy (Israel)
Ramat Negev Energy (Israel)
Solad Energy (Israel)
Zorlu Natural Electricity Generation
Zorlu Geothermal Energy Electricity Generation
Zorlu Intergas GMBH (Austria)
Zorlu Energy and Construction

PROPERTY GROUP

Zorlu Construction & Investment
Zorlu Property Development & Investment
Akmerkez (Passtel Shopping Center)
Intermar

Vestel Electronics

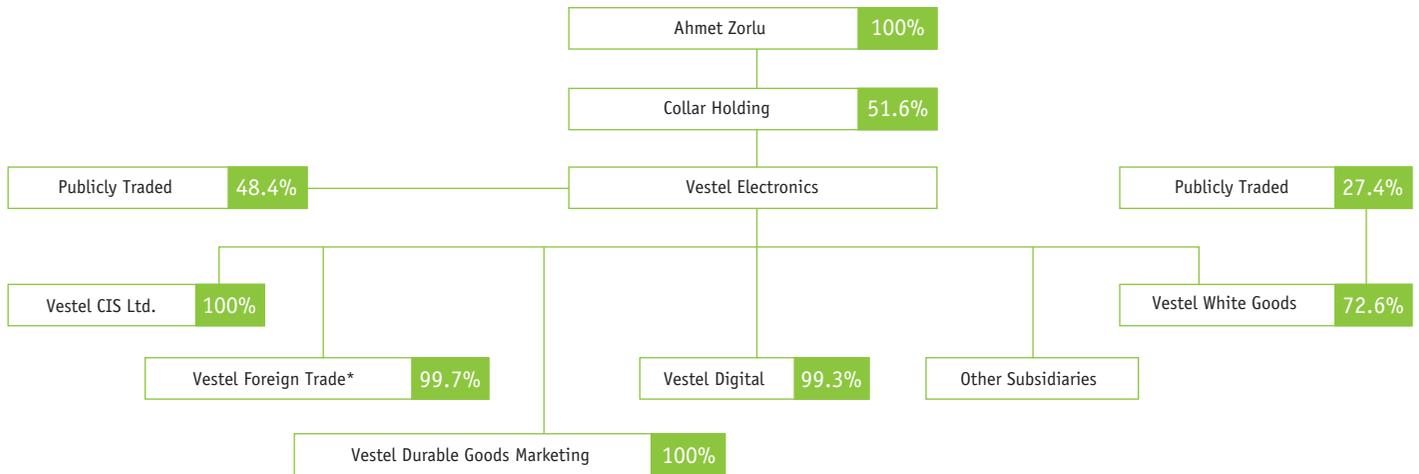
Controlling the biggest stake in the majority of group companies and with the pioneering consumer electronics that it has introduced to the market, Vestel Electronics is the flagship company of the Vestel Group. One of Turkey's and Europe's biggest electronic goods manufacturers, Vestel Electronics is the fifth biggest producer of LCD televisions in the Europe, where it controls a 10.4% market share. In 2008, Vestel Electronics exported 87% of its production.

Vestel CIS

Operating from Russia, Vestel CIS is 100% owned by Vestel Electronics, the principle shareholder in Vestel White Goods. The Company manufactures refrigerators and washing machines for the Russian and CIS markets in facilities with 85,000 m² of enclosed space. The refrigerator and washing machine plants, which entered production in 2006, each have annual production capacities of 500,000 units.

Conducting its operations independently of Vestel White Goods, Vestel CIS has agreed not to undertake either production or sales outside Russia, Ukraine, Belarus and Kazakhstan.

Vestel Group



* Consisting of foreign trade companies



COTTONS

Whites 90° A
Whites/pre-wash 60° B
Coloreds 60° C
Delicates 40° D

SYNTHETICS

Synthetic 60° E
Pre-wash 40° F
Delicates 40° G

SPECIAL PROGRAMS

Mix Wash 40° H
Wool 40° I
Hand Wash 30° J
Silk Quick Wash
Rinse
Spin
Drain

VESTEL

Financial Highlights*

USD million	2008	2007
Net Sales	974	906
Exports / Sales	66%	68%
Operating Profit	60	24
EBITDA	97	55
Net Profit	24	57
Capital Expenditures	28	38
R&D Expenditures / Sales	1.3%	1.3%
Total Assets	559	702
Shareholders' Equity	316	428
Net Debt	-25	10
Net Debt / Equity	-8%	2%
EBITDA Margin	10%	6%
Return on Equity	6.4%	15%

*CMB based financials

Vestel White Goods' total sales revenues in 2008 amounted to USD 974 million while exports accounted for a 66% of all sales revenues.

Net Sales (USD million)

974

Operating Profit (USD million)

60

EBITDA (USD million)

97

Vestel White Goods' Strategic Targets and Competitive Strengths

The unshakable reputation that Vestel White Goods enjoys among European manufacturers as an OEM and ODM further strengthens its position even in the current global economic climate. The Company continues to expand its presence in new territories both in Turkey and abroad through its proactive marketing of the Vestel trademark.

Vestel White Goods seeks to achieve sustainable and controllable growth by means of the revenues and profitability that it achieves by focusing on its principal business activity, the production of high-quality consumer goods.

The axes of Vestel White Goods' growth:

1. Increase market share in the countries of Turkey's hinterland through brand awareness.
2. Undertake investments necessary to achieve brand awareness:
 - > Acquire local brands
 - > Increase the strength of the Vestel trademark.
3. Steadily increase market share in western European markets through OEM and ODM-based production/sales strategies with major brands and retail chains.
4. Invest in technology products that are environment-friendly, quiet, and energy conserving.
5. Develop and build up a line of products diversified so as to respond to the particular needs of different customer segments.

Vestel White Goods' competitive advantages:

1. It is the only company providing OEM and ODM services exclusively for Europe's "A-Brand" producers.
2. Its proximity to European markets gives it an edge in logistics.
3. Its labor costs are significantly lower than those in Europe.
4. The Vestel trademark is strongly positioned in the market, which adds to the Company's marketing muscle.
5. The Vestel Group has a well-established domestic and international distribution network.
6. It is one of the leading suppliers of Turkish white goods sector today.
7. The Company's flexible production capability and large production capacity which allows it to take advantage of economies of scale.
8. Working with an extensive network of national and international suppliers, the Company enjoys logistical, cost, and quality advantages thanks to its vicinity to domestic suppliers.
9. Having undertaken and completed its major investments in just the last seven years, the Company has the most advanced production facilities anywhere in Europe.
10. The concentration of all production facilities at a single location results in tremendous productivity and cost advantages.
11. The Company has a young, dynamic, and flexible management team.



Chairmans' Message

A recognition that they were necessary if we were to survive competition at the global level was the starting point of all of our R&D activities. Acting on the basis of that awareness, Vestel has never strayed from the priority that it gives to R&D investments.



We're going through a difficult process.

The repercussions of the collapse of the home mortgage market in the United States in 2007 spread far and wide, even to the developing countries. By the second half of 2008, their effects were showing up in real sector economic indicators throughout the world: demand was down, unemployment was up, private sector consumption withered, and international trade slowed. The result of this contraction was that most developed economies entered recession in 2008.

The global economic crisis will be at the top of the agenda in 2009 as well. At this time it is not at all clear when the crisis of confidence from which markets are suffering will be overcome or how long it will be before the results of the measures that are being taken will make themselves felt. Most forecasts for 2009 indicate that the slowdown in global growth and the decline in world trade will persist at least for some time.

Vestel is strongly positioned.

Vestel made its investments at the right time and in the right way with the result that today its infrastructure and its experience position it as a group with the strength and ability to compete successfully everywhere in the global economy.

In a meaningful demonstration of what can be achieved through fast but sound and stable growth, the home appliances production capacities that other companies took fifty years to build up Vestel White Goods reached in just ten years.

Building upon its successes year after year, in 2007 Vestel White Goods ranked 30th among the İstanbul Chamber of Industry's list of Turkey's top 500 concerns.

Although our investments in the main product groups are completed, there is still additional capacity for growth. We shall be undertaking investments in the course of time as national and international market conditions warrant. The full force of the global economic crisis began to make

itself felt in Turkey in the third quarter of 2008. Contractions in domestic and international markets had an adverse impact on Vestel White Goods' sales. Thanks to our superior foresight and experience, we took the right measures at the right time so that the detrimental effects of the crisis on our performance and results were held in check. We continued production without reducing factory capacities and we achieved our targets for the year with but little deviation.

Flexibly altering one's thinking and actions in line with crisis conditions and accommodating oneself accordingly is the first rule of survival. Like all Vestel Group companies, Vestel White Goods demonstrated its crisis management abilities by means of such measures and practices as making and implementing decisions quickly, keeping a close day-to-day watch on markets, minimizing stock levels, adhering to "just-in-time" practices in procurements and sales, tight cost controls, short-term budgets, and going into markets at the right time with competitive prices.

While we should be proud of the decisions that were made and of the results that they achieved in 2008, that does not mean that we can slack off just now-if ever. 2009 is not going to be an easy year for our country or for our group. What we are contending with is nothing less than a third world war on the economic front. To survive this conflict we must all work together as individuals, organizations, and a nation.

Taking pride in what you do is the secret of success.

To overcome the difficulties that confront us we must all strive with conviction and dedicate ourselves to our work. Keeping our institutions alive is the fundamental tenet that will shape all of our futures. That in turn is only possible by making a dedicated effort, by focusing on what we do, by seeking to be more productive in everything, by never sacrificing quality, and by always distinguishing ourselves through innovative thinking and approaches. Identifying with the superior values that are the strength that makes Vestel A-brand that Turkey can be proud of, our human resources need to recognize and work for the sake of their common goals while also setting their individual goals and striving to achieve them.

Progress powered by R&D

Turkey's growth must be driven not by imports but by exports. To achieve growth through production, it is important to take measures to support domestic manufacturers and to help them survive. In the same way, encouraging and supporting R&D activities in our country and increasing exports through production that is based on innovative and advanced technologies should be high on everyone's agenda too.

Because our technological muscle is supported by our solid infrastructure and by our effective after-sales services, we will go on offering our customers world-class products thanks to our strong financial resources and to the synergies arising from our group.

It is our sincerest hope that the new law aimed at encouraging research and development that was enacted in 2008 will set this vicious circle into motion.

Investing in technology and R&D is undeniably important for the future of Turkey with its youthful population too. For this reason, we think that it is crucial to make changes in educational policy so as to foster the growth and development of an R&D culture in our country and to give young people the backgrounds they need to be inquisitive and think about innovation.

We sincerely hope that the long-term investments that Turkey is making in all aspects of R&D will open the way for our country to become one of the world's leading centers of research and development.

The direction of Vestel's future investments is clear: R&D and product innovation

A recognition that they were necessary if we were to survive competition at the global level was the starting point of all of our R&D activities. Acting on the basis of that awareness, Vestel has never strayed from the priority that it gives to R&D investments. We remain strong on the export front because the high-tech products that we have designed are preferred and because of our insightful strategies and good management.

The success of Vestel White Goods' solid R&D infrastructure and team strength is confirmed by its position at the international level in the areas of design, technology, and innovation.

We must safeguard the future.

Environmental problems such as global warming and natural resource exhaustion have taken up permanent places on everyone's agendas as clear and present dangers to human civilization. Enjoyable as the Information Age may be basking in the dynamic world of technology, every step that we take unmindful of its environmental consequences brings us all one step closer to our self-destruction.

In order to assure the long-term viability of whatever we do from now on we shall need to concern ourselves not just with production issues but also with increasing our existing natural resources, with using renewable energy sources, and with changing our lifestyles.

The Zorlu Group, of which we are a member, is a signatory to the UN Global Compact and it maintains the highest level of awareness of its global responsibilities. As a member of that group, we make the utmost effort to work together with all of our

stakeholders wherever we may be engaged in activities to make this world a better place for everyone today and in the future. That is because we know very well that human civilization can only exist and survive to the degree that it remains in harmony with the natural world.

Technology underlies our very existence.

The unshakable reputation that Vestel White Goods enjoys among European manufacturers as an OEM and ODM further strengthens its position even in the current global economic climate. The Company continues to expand its presence in new territories both in Turkey and abroad through its proactive marketing of the Vestel trademark.

As one of the world's most important home appliances manufacturers, Vestel White Goods will continue to develop technology that makes life more comfortable for people in the future just as it is doing today. Because our technological muscle is supported by our solid infrastructure and by our effective after-sales services, we will go on offering our customers world-class products thanks to our strong financial resources and to the synergies arising from our group.

In closing, I extend my thanks to all our employees, shareholders, and other stakeholders.



Ahmet Zorlu
Chairman of the Board of Directors

Board of Directors



(4)

(5)

(3)

(1)

(2)

(6)

(7)

1 Ahmet Zorlu

Chairman

(1944 - Denizli) Ahmet Zorlu began his career in a family-owned textile business. He set up his first company, Korteks, in 1976. In the years that followed, he continued to undertake new investments in the textile industry and founded Zorlu Holding in 1990. Ahmet Zorlu purchased the rights to the Vestel trademark in 1994. He is currently the chairman of Zorlu Group consisting of 57 companies active in electronics, white goods, textiles, energy and property sectors.

2 Prof Ekrem Pakdemirli

Board Member

(1939 - İzmir) Prof Ekrem Pakdemirli has served as transportation minister (1987-89), finance minister (1989-90), and deputy prime minister (1991). He is currently a member of the faculties of Bilkent, Başkent, and Ege universities and has previously served as deputy rector of Dokuz Eylül University and as foreign trade undersecretary. He is the author of ten books and more than a hundred published articles.

3 Olgun Zorlu

Board Member

(1965 - Trabzon) Having graduated from university in the UK, Olgun Zorlu began his career in 1986 and gained managerial experience in the Zorlu Group's textiles companies. He started to serve as a Board Member for Zorlu Holding in 1998. In addition, he remains a Board Member of Vestel White Goods and Korteks Mensucat San. ve Tic. A.Ş.

4 Yılmaz Argüden

Board Member

(1958 - Eskişehir) Dr. Yılmaz Argüden is a leading strategist, advisor, and board member of major public and private institutions, and NGOs. He is the Chairman of ARGE Consulting, a leading management consulting firm in Turkey. He is also the Chairman of Rothschild investment bank in Turkey; an Adj. Professor of Business Strategy at the Bosphorus University and the MBA program of the Koç University; an author of numerous books and a columnist focusing on business and strategy issues. He is a recipient of numerous leadership, distinguished citizenship and career awards, and was selected as a Global Leader for Tomorrow, by the World Economic Forum for his commitment to improve the state of the world. He is also the National Representative of UN initiated Global Compact network.

5 Ömer Yüngül

Board Member and Chairman of the Executive Committee

(1955 - İzmir) Ömer Yüngül graduated from Boğaziçi University (Department of Mechanical Engineering) in 1978. He joined the Zorlu Group in 1997 as head of the Executive Committee responsible for white goods. On 3 January 2000 his responsibilities were expanded to include all of the Group's production activities. Mr. Yüngül is currently chairman of the Vestel Executive Committee.

6 Enis Turan Erdoğan

Board Member and Member of Executive Committee

(1955 - Mersin) Enis Turan Erdoğan graduated from İstanbul Technical University (Department of Mechanical Engineering) in 1976 and completed a master's degree in production management at Brunel University (England) in 1980. After serving in positions for a number of firms in Turkey, he joined the Vestel Group as managing director of Vestel Foreign Trade in 1988. Since 1997, Mr. Erdoğan has also been a member of the Vestel Executive Committee.

7 Cem Köksal

Board Member

(1967 - Ankara) Cem Köksal graduated from Boğaziçi University (Department of Mechanical Engineering) in 1988 and received his master's degree from Bilkent University in 1990. He served in various positions in the banking industry between 1990 and 2001, becoming assistant general manager of DenizBank in 1997. Mr. Köksal joined Vestel in 2002 as a vice chairman responsible for finance and he has the same responsibility as a member of the Executive Committee.

Assessment of the Vestel Group of Companies Group Executive Committee Member Responsible for White Goods



General review

The global economic crisis put its stamp on 2008, causing substantial contractions in demand and trade everywhere. Despite the adverse effects of that crisis however, Vestel White Goods not only achieved its targets but also continued to grow thanks to exports.

A-brand manufacturers are shutting down their plants in Western Europe and relocating much of their manufacturing operations to their relatively smaller-scale plants in Eastern Europe. Thanks to the advantages that it enjoys in white goods manufacturing, Turkey's share of global production in the sector will continue to grow in line with this trend.

In the existing economic climate, Vestel White Goods also has a number of important advantages:

- > Vestel White Goods is the only company providing OEM and ODM services exclusively for Europe's A-brand manufacturers.
- > In keeping with its business model, Vestel White Goods does not compete directly with the A-brand manufacturers for which it produces. This makes it a preferred business partner as both an OEM and an ODM.
- > Suffering from the credit crunch brought on by the economic crisis, European manufacturers prefer to place short-term orders with Vestel White Goods, knowing that its huge and highly flexible production capacity will allow it to fulfill them in the least amount of time.

Combining these attributes with market know-how, familiarity with sectoral developments and regulatory frameworks, and an ability to develop products that address particular needs, Vestel White Goods enjoys a unique position in the industry.

The white goods industry is one that demands substantial, long-term investment. Unlike other growth and development stories in its sector, Vestel White Goods built up the infrastructure and production capacity that it has today in a remarkably short period of time. Our total production capacity in the four main home appliance product groups and air conditioners has reached

7,750,000 units a year. We have completed all our essential product line investments and henceforth will be undertaking capacity increase investments as market and demand conditions warrant.

No letup in exports

European national markets, to which the great majority of our white goods are exported, have achieved saturation in stand-alone home appliances in all categories other than dishwashers. There is still strong demand for built-in products however and indeed there is a trend towards them as replacements for solo products. Although the British and Spanish markets have been hammered by the global economic crisis, the demand and growth in Russia, CIS countries, South America, the Middle East, India, and Pakistan remain remarkably hale.

Although Vestel White Goods accounted for an overall 29% share of Turkish white goods exports in 2008, in the washing machine category its market share was 40%. A spurt of growth in dishwasher exports last year raised the Company's market share in that segment to 6%. Having built up a strong presence in cookers in a fairly short time, Vestel White Goods contributed an 18% share of the sector's exports in this group in 2008.

As a result of this strong performance, the share of Vestel White Goods' total sales revenues contributed by exports was up to 66% in 2008.

Redoubling our innovative strength

Our R&D investments are continuing at full speed. Vestel's ability to develop technology and create innovative products is one of its foremost competitive advantages. As a result of the advances that have been made in blending technology and design with the ultimate aim of improving the quality of people's lives, Vestel products are as aesthetically pleasing to look at as they are functional and convenient to use.

Today's consumers have become increasingly more savvy and discriminating in making product choices that are based more on content, performance, and quality than just on price. One outcome of this is that competition nowadays has shifted strongly in favor of technological innovation. Vestel continues to carry out its R&D activities across a broad range of fronts in order to develop products which make consumers' lives easier and which address all of their needs.

Patents protect the creative effort

Vestel takes the position that the only way to prevent the fruits of its intensive R&D efforts from being copied and to ensure that the resources it invests in those efforts

Vestel White Goods' commitment to developing new products according to new consumer tastes and habits and its competency in doing so will cement its reputation and favored position among European white goods manufacturers.

are not wasted is through patents. For this reason, it is the Company's policy to engage in research that focuses on technological innovation and to protect its discoveries and inventions by having them patented.

In keeping with its innovation strategy, Vestel concentrates on discoveries that are beneficial to users and it gives priority to patents that are capable of being transformed into merchandisable products. As of end-2008 Vestel:

- > had applied for 114 patent or utility model applications, of which 31 had been awarded registration
- > had applied for 46 industrial design applications, of which 37 had been awarded registration.

Vestel White Goods' patented "electronic-controlled refrigerator with a two-way door hinge" invention, a product of its innovative muscle, is the recipient of the Turkish Patent Institute's (TPI) "Golden Award".

Our products' design makes them outstanding too

Recognizing design as an essential component of its competitive efforts and that it must invest in design in order to stay ahead of its competitors in the sector, Vestel has always devoted resources to industrial design but the numbers associated with such investments have been increasing significantly in recent years. Vestel develops products aimed at consumer groups all over the world. For this reason, the Company's industrial design team has a very good understanding of developments in the sector and of consumers' needs and expectations in different countries. Our team works within the framework of a model into which other R&D teams are integrated.

Design trends in white goods generally evolve along two separate axes: one consisting of increased use of different materials, colors, and design elements, the other of heightened functionality. The increasingly more pressing need to use less in the way of energy and other resources results in greater differentiation in design based on different washing techniques and potential future progress in refrigeration and other technologies while also improving functional performance.

Vestel White Goods enjoys an unrivalled position in terms of its attitude towards industrial design and the overall structuring of its R&D efforts. Setting and shaping trends with its innovative and creative products, Vestel reveals its success in design by masterfully combining functionality, ergonomics, and aesthetics all in a single product.

Our success is confirmed by awards. In the Design Turkey 2008 Industrial Design awards, widely regarded as the most comprehensive and prestigious program of its kind in Turkey, Vestel White Goods received two "Good Design" awards in the electric home appliances category: one for the "Vestel Quadro Split Air Conditioner" and the other for the "Vestel Olympus Washing Machine".

We develop environment-friendly products

The last half-century has seen dizzying changes in our everyday lives; it has unfortunately also been witness to a rapid depletion of natural resources and growth of environmental problems such that development and progress are now threatening our world.

Seeking to expand the scope of its efforts to safeguard the environment, Vestel White Goods strives to fulfill all the responsibilities incumbent upon it during every stage of production from product design and development to manufacturing processes and practices.

An important constraint for us in all product design is that we must do no harm to the environment. But going beyond this, Vestel makes a great effort to develop products that "hasten to help" by being environment-friendly. For this reason, the use of more recyclable materials and of less energy, water, and detergent and the principle of discharging less in the way of chemical effluents into the environment are the starting-points of our product design and development work.

In the period ahead...

There can be no doubt but that 2009 is going to be at least as difficult a year as 2008 was. By combining the superior productivity and flexibility of its business model on the one hand and its strong management advantages on the other with its focus on R&D and innovation, Vestel White Goods will maintain the formula of its success and sustainability even during these challenging times.

Vestel White Goods' commitment to developing new products according to new consumer tastes and habits and its competency in doing so will cement its reputation and favored position among European white goods manufacturers.

The performance benchmarks that we have set for ourselves in 2009 are in no way inferior to those of 2008. In the post-crisis period, we expect to see a surge in demand that Europe's supply side will not be able to keep up with. That too will increase the production orders that our Company will be receiving and further strengthen our position as one of Turkey's leading exporters.

Focused on its goal of being one of the world's premier home appliance manufacturers, Vestel White Goods is advancing sure-footedly in that direction. As it moves forward, the industrious efforts of our employees whose strength resides in their self-identification as members of the Vestel family and the support of all our other stakeholders will be the steadfast sources of our energy and confidence. For that, I extend my sincerest appreciation to them all.

İzzet Güvenir
Executive Committee Member

Executive Committee



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1 Ömer Yüngül

Chairman of the Executive Committee

(1955 - İzmir) Ömer Yüngül graduated from Boğaziçi University (Department of Mechanical Engineering) in 1978. He joined the Zorlu Group in 1997 as the head of the Executive Committee responsible for white goods. On 3 January 2000 his responsibilities were expanded to include all of the Group's production activities. Mr. Yüngül is currently chairman of the Vestel Executive Committee.

2 Enis Turan Erdoğan

Executive Committee Member

(1955 - Mersin) Enis Turan Erdoğan graduated from İstanbul Technical University (Department of Mechanical Engineering) in 1976 and completed a master's degree in production management at Brunel University (England) in 1980. After serving in positions for a number of firms in Turkey, he joined the Vestel Group as managing director of Vestel Foreign Trade in 1988. Since 1997, Mr. Erdoğan has also been a member of the Vestel Executive Committee responsible for global trade and OEM sales.

3 İhsaner Alkım

Executive Committee Member

(1954 - Kırcaali) İhsaner Alkım graduated from İstanbul Technical University (Department of Electronics and Communications Engineering) in 1977. After serving in various positions in the electronics and communications sectors, he joined Vestel in 1988 and since then has been undertaking duties in matters related to R&D save for a four-year period in 1998-2002. Mr. Alkım rejoined Vestel in the latter year and is a member of the Executive Committee responsible for electronics R&D.

4 Cem Köksal

Executive Committee Member

(1967 - Ankara) Cem Köksal graduated from Boğaziçi University (Department of Mechanical Engineering) in 1988 and received his master's degree from Bilkent University in 1990. He served in various positions in the banking industry between 1990 and 2001, becoming assistant general manager of DenizBank in 1997. Mr. Köksal joined Vestel in 2002 as a vice chairman responsible for finance and he has the same responsibility as a member of the Executive Committee.

5 Levent Hatay

Executive Committee Member

(1963 - Oklahoma) Levent Hatay graduated from the Department of Electronics Engineering at Dallas Southern Methodist University in 1984 and went on to complete a Master's degree in Engineering Management, before gaining a Ph.D. in Processes Research. After serving in Aygaz and Altınyıldız, he joined Vestel Durable Goods Marketing Inc in 1999 as a General Manager. He has been working as an Executive Committee Member responsible for marketing-sales and branding since 2005.

6 İzzet Güvenir

Executive Committee Member

(1955 - İzmir) İzzet Güvenir graduated from the Department of Aeronautical Engineering of İstanbul Technical University in 1980. After serving in various positions in the white goods sector, he joined Vestel in 1998 as the manager of the air conditioner plant. Mr. Güvenir was appointed general manager of Vestel White Goods in 2000 and he has been a member of the Executive Committee responsible for white goods and Vestel Russia.

7 Cengiz Ultav

Executive Committee Member

(1950 - Eskişehir) Cengiz Ultav graduated from Middle East Technical University with BS and MS degrees in electronics engineering. He began his career at the Philips International Institute and subsequently served in the information technology and R&D departments of electronics companies in Turkey and abroad. Mr. Ultav joined Vestel in 1997 as a vice chairman responsible for technology and is currently a member of the Executive Committee responsible for strategic planning and technology.

8 Özer Ekmekçiler

Executive Committee Member

(1957 - İzmir) Özer Ekmekçiler graduated from Middle East Technical University (Department of Industrial Engineering). After serving in senior management positions in a number of sectors he was made general manager of Vestelkom in 2000. Since 2005 Mr. Ekmekçiler has been a member of the Executive Committee responsible for Vestel Electronics, Vestelkom and Vestel Digital.

9 Necmi Kavuşturan

Executive Committee Member

(1956 - Gaziantep) Necmi Kavuşturan graduated from the Faculty of Political Sciences of Ankara University in 1979. After serving in various positions in the banking industry, he joined DenizBank in 1997 as an assistant general manager in the bank's Management Services Division and he became human resources coordinator for Zorlu Holding in 2003. Since 2005 Mr. Kavuşturan has been a member of the Executive Committee responsible for human resources at Vestel Group.

Senior Management



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1 İzzet Güvenir

Member of the Executive Committee

İzzet Güvenir graduated from the Department of Aeronautical Engineering of İstanbul Technical University in 1980. After serving in various positions in the white goods sector, he joined Vestel in 1998 as the manager of the air conditioner plant. Mr. Güvenir was appointed general manager of Vestel White Goods in 2000 and since 2005 he has been a member of the Executive Committee responsible for white goods.

2 Nedim Sezer

General Manager

Mr. Sezer graduated from İstanbul Technical University with a B.Sc degree in mechanical engineering in 1982 and obtained a certificate in Administrative Economics from İstanbul University in 1990. Mr. Sezer has served as Household Appliances R&D Manager at Peg Profilo A.Ş. between 1985-1997. He has served in various positions in Vestel Group since 1998 and is currently serving as the General Manager of Vestel White Goods.

3 Alp Dayı

Assistant General Manager, Financial Affairs

Mr. Dayı graduated from Dokuz Eylül University, Faculty of Industrial Engineering in 1985 and received diploma in finance from University of California in 2006. He served as the Finance Manager at İzmir Demir Çelik between 1987-1993 and as the Deputy General Manager responsible of purchasing, human resources, finance, accounting and budgeting at Raks Elektronik between 1993-1999. He served in various positions in Vestel Group since 1999 and is currently serving as the Assistant General Manager responsible for finance and accounting.

4 Serhat Tolga Sönmez

Manager of the Refrigerator Plant

Mr. Sönmez graduated from Dokuz Eylül University, Faculty of Electrical and Electronic Engineering in 1994. He was responsible for maintenance at BSHG Refrigerator Plant between 1994-1997 and is currently serving as the Manager of the Refrigerator Plant at Vestel White Goods.

5 Kemal Özgür

Manager of the Washing Machine Plant

Mr. Özgür graduated from İstanbul Technical University with a B.Sc degree in industrial engineering in 1992. He served as a project engineer at Peg Profilo between 1995-1997. He has since served in various positions in Vestel Group since 1997 and is currently serving as the Manager of the Washing Machine Plant.

6 Cevdet Yavuz

Manager of the Cooker Plant

Mr. Yavuz graduated from the Department of Mechanical Engineering of İstanbul Technical University in 1985 and received a masters degree from İstanbul Technical University in 1988. After serving in various positions in the leading white goods companies in Turkey between 1990 and 2003, he joined Vestel White Goods in 2003. He is currently serving as the Manager of the Cooker Plant at Vestel White Goods.

7 Erdal Haspolat

Manager of the Dishwasher Plant

Mr. Haspolat graduated from Middle East Technical University with a B.Sc degree in mechanical engineering in 1992. He worked as a design engineer at Özmak Makine between 1992-1993 and as the design leader at MKEK Elroksan between 1993-1996. He served in various positions in Vestel Group since 1998 and is currently the Manager of the Dishwasher Plant.

8 Hakan Akıncı

Manager of the Air Conditioner Plant

Mr. Akıncı graduated from the Department of Mechanical Engineering of İstanbul Technical University in 1992 and received a masters degree in mechanical engineering from Dokuz Eylül University in 1996. He served in various positions in Vestel Group since 1999 and is currently the Manager of the Air Conditioner Plant at Vestel White Goods.

Management's Assessment and Analysis of Operational Results

Both because of its geographical location and because of its relatively low-cost, high-quality labor, and advanced component manufacturing base, Turkey has become an important production center for Europe in the brown and white goods sectors. Turkey's importance in this area has become even more evident as a result of the global economic crisis.

Economic review

A crisis that began in the US mortgage market in 2007 reached a whole new level in the last quarter of 2008 when the collapse of some of the world's most prestigious financial institutions transformed it into a financial system crisis that turned out to be truly global in its scale.

Beginning in the second half of the latter year, the effects of the crisis spread to the developing countries and began showing up in real sector economic indicators as well. Demand was down, unemployment was up, private sector consumption shriveled, and international trade slowed. The result of this contraction was that most developed economies entered recession in 2008.

The overall rate of global growth dropped to 3.9% in 2008. Among the developed countries, the average growth rate is thought to have been only 1.5% whereas the developing countries still managed a respectable 6.9%.

As the effects of the global crisis began to hit the developing countries as well, the Turkish economy also began to undergo a contraction beginning in the last quarter of 2008.

> In the first nine months of 2008, the Turkish economy grew 3% whereas in the last quarter it shrank 6.2%. The net result of these movements was a barely perceptible year-on-year growth rate of 1.1%. The income per capita was USD 10,436 for the year 2008.

- > The effects of the contraction revealed themselves primarily in the real sector. The monthly industrial production index in December 2008 was 17.6% lower than what it was in December 2007. On the same basis, the manufacturing industry index declined 19.9% from 112.7 to 90.3.
- > 2008 inflation figures weighed in at 10.06% (CPI) and 8.11% (PPI). Despite rises observed in exchange rates in the last quarter of 2008, the drop in inflation registered in December of the year was largely the result of a sharp decline in domestic demand.
- > Exports in 2008 were up 23.1% and amounted to USD 132 billion while imports rose 18.7% and were worth USD 201.8 billion. The ratio of exports to imports, which was 60.3% in December 2007, rose to 68.2% in December 2008. The foreign trade deficit, which amounted to USD 62.8 billion at end-2007, was up 11.2% and reached USD 69.8 billion as of end-2008. The country's exports to the EU were down 39.4% as compared with 2007, a result that is attributable to the general worldwide contraction in international trade.

Figures from the last quarter of 2008 indicate that the rapid fall in domestic demand combined with sharp cutbacks in oil and commodity prices will cause the country's foreign trade deficit to shrink in the months ahead and that this in turn will have a favorable impact on the current account deficit.

- > Looking at 2008 as a whole, the current account deficit increased 8.4% year-on-year, going from USD 38.2 billion to USD 41.4 billion. The portion of the current account deficit being financed by foreign direct and portfolio investment has been growing smaller and this trend, when considered in light of the global credit crunch, creates a risk insofar as the current account deficit is concerned. Foreign direct investments amounted to USD 22 billion in 2007 whereas in the twelve months to end-2008 they contracted 19.6% to USD 17.7 billion. In the case of portfolio investments, which generated net capital inflows worth USD 717 million in 2007, there was a net outflow on the order of USD 4.8 billion in 2008.

Sectoral review

Reflecting the worldwide effects of the financial crisis, white goods sales throughout Europe, our principal export market, were down 4.4% on a unit sales basis in the twelve months to end-2008. The declines were considerably stronger in the UK (7.9%) and Spain (14.6%), where the bursting of the housing bubble made a deeper impact. In the last quarter of the year, when the effects of the financial crisis were the most sharply felt, white goods sales in the European market shrank 10%.

For European white goods manufacturers suffering from profit margin pressure brought on by years of low growth rates, market saturation, and increasingly higher labor and raw material costs, the global economic crisis and the recession that it plunged developed economies into proved to be overwhelming. This has greatly accelerated the trend of A-brand white goods manufacturers to shift their production activities away from Western Europe and into Eastern Europe and Turkey.

In the wake of a 5% contraction experienced in 2007 in the domestic market, white goods sales in Turkey remained essentially flat in 2008 across the four main product groups (refrigerators, washing machines, cookers, dishwashers) with a total of 5,166,768 units sold. On an individual product group basis, sales of refrigerators, for which the market is essentially saturated, were at the same level in 2008 but they were down 5% in both the washing machine and cooker categories. Only in the case of dishwashers was there a year-on-year rise in sales and that was a non-negligible 13%.

2009 will be a year in which the effects of the economic crisis will continue to be felt. For 2010 and beyond, the outlook is that the contraction in global demand and trade will give way to an overall increase in consumption.

Both because of its geographical location and because of its relatively low-cost, high-quality labor, and advanced component manufacturing base, Turkey has become an important production center for Europe in the brown and white goods sectors. Turkey's importance in this area has become even more evident as a result of the global economic crisis.

In addition to such considerations, Turkey itself offers considerable promise for the future in all categories of white goods for such reasons as a fast-growing population, low saturation rates in some product groups, and the ability to pursue growth in the domestic market by introducing products equipped with new technologies.





Management's Assessment and Analysis of Operational Results

In addition to its production as an OEM/ODM for major international home appliance manufacturers and to its manufacturing activities under the Vestel name, Vestel White Goods also produces goods under world-class trademarks whose rights have been acquired by the Vestel Group of Companies.

Developments in production

Vestel White Goods has a combined annual production capacity of 7,750,000 units in all of its refrigerator, washing machine, cooker, dishwasher, and air conditioner plants. Despite the adverse impact that the global economic crisis had on domestic and foreign market demand, total production in 2008 at 4,790,910 units was only slightly below 2007's 4,853,653 unit level.

In addition to its production as an OEM/ODM for major international home appliance manufacturers and to its manufacturing activities under the Vestel name, Vestel White Goods also produces goods under world-class trademarks whose rights have been acquired by the Vestel Group of Companies. Finlux and Vestfrost (the latter of which was added to the portfolio in 2008), are two brands which are highly visible in Northern Europe and which will be making important contributions towards Vestel's achieving its European market targets in the future.

In the production activities that it carries out for A-brand firms, Vestel White Goods' hallmark and strength lies in its ability to carry out all activities from industrial design, R&D, and engineering to final product manufacturing completely in-house. Vestel White Goods' superior edge in technology and design are confirmed in national and international markets by the design awards and patents that the Company has received.

Vestel White Goods also has a significant competitive advantage in that European manufacturers suffering from the credit crunch brought on by the economic crisis know that the Company's huge and highly flexible production capacity will allow it to fulfill their orders in the least amount of time.

2008 production capacity

Products	Enclosed Space (m ²)	Production Capacity (Units)
Refrigerators	148,916	3,200,000
Washing Machines	40,733	2,200,000
Air Conditioners	15,750	600,000
Cookers	33,650	1,250,000
Dishwashers	15,750	500,000
Warehouses	57,000	-
TOTAL	311,799	7,750,000

Management's Assessment and Analysis of Operational Results

Keeping a close watch on the sector while developing products for different target groups, Vestel has a very good understanding of consumer expectations in different parts of the world. Design and technology features are developed taking local preferences and needs into account and products are created whose functions are compatible with sociocultural, climatic, and similar constraints.

Product line and features

Refrigerators

> Refrigerators consist of refrigerators, freezers, and larders. Refrigerators come in a variety of sizes and models designed to address different market requirements. Widths range from 48 cm to 81 cm. There are also 120 cm units in which a refrigerator and freezer are integrated side-by-side. Models include under-worktop, double door, no-frost, fridge-freezer units and built-in refrigerators as well as freezers and larder refrigerators.



- > A wide range of style, color, and material options (stainless steel, patterned or enameled sheet metal, aluminum) are offered capable of appealing to many different customer tastes and needs. User interface and control function options consist of mechanical-controlled, digital-controlled, vacation mode, economy mode, quick freeze/chill mode). Ergonomic accessory and feature options include covered drawers, covered shelves, icemakers, lockable doors, and double-hinged doors.
- > Because refrigeration systems are designed to operate under different climatic conditions and to be compatible with mains voltages in different countries, products are available that are suitable for tropical markets as well as for markets in colder climates.
- > With its strong insightfulness and mindful of energy conservation and environment issues, Vestel White Goods devotes a considerable part of its R&D resources to energy efficiency. The Company has upgraded its products to the A+ level capable of achieving savings of 50% in energy use. Work in this direction is continuing without letup and in the near future A++ products are to be introduced to the market.
- > Vestel White Goods is the first to introduce 3-D Cooling technology in its products in Turkey. 3-D Cooling chills foods more homogeneously with the result that they remain fresher and retain their nutritional value for longer periods of time.
- > A recent addition to Vestel White Goods' product line is Vestfrost, a highly prestigious home appliance name in Northern Europe whose products are specially designed to meet the consumer habits and tastes in those countries.

2009 plans

- > During 2009 Vestel White Goods plans to launch a line of "intelligent" refrigerators that incorporate many different technological and ergonomic features in a single unit. Also planned for introduction in 2009 are the combo and below-counter models that are very popular in Europe and are becoming so in the Turkish market.
- > Some of the products that are planned for introduction to the market in 2009 are refrigerators that give extra attention to hygiene and refrigerators with ergonomic accessories such as a water fountain, storage containers, specialized shelves, shelves for oversized bottles, etc.



Air conditioners

- > The air conditioner product line consists of environment-friendly refrigerant-using single and multi-unit wall-mounted split air conditioners in the 7,000 to 30,000 BTU/h range and free-standing units with 42,000 BTU/h or 55,000 BTU/h capacities.
- > Vestel air conditioners equipped with super-tropical functions using cold-injection compressor cooling can be used effectively for cooling in regions such as the Middle East and South America where the outdoor temperature exceeds 52° C. For regions such as Northern Europe where the outdoor temperature falls below 5° C, there are Vestel air conditioners equipped with heaters in their external units that allow them to continue functioning without suffering any performance hits.
- > A pioneer of R&D research into air conditioner energy conservation in Turkey, Vestel White Goods introduced its A-class units a few years ago. Vestel Platinum air conditioners, the first DC inverter air conditioners designed in Turkey, consume 20-30% less electricity than A-class units because they automatically adjust air flow and compression speeds according to current temperature etc requirements.
- > Vestel Quadro air conditioners are equipped with 3D cooling/heating technology, which makes it possible to condition ambient air more homogenously than can be done with traditional air conditioners.
- > Vestel air conditioners are equipped with a wide range of features that improve ambient hygiene (NIG filters that use negative ion technology to eliminate cigarette smoke, odors, and pathogens and internal components that resist bacterial accretion), user information systems (filter cleaning warning and spoken feedback for setting changes), and convenience-enhancement functions ("Smart-Eye", which detects when someone is in the room; perfume cartridges; "Low-Drag", which minimizes noise levels.

2009 plans

- > The Company plans to launch its VRF series during 2009. These units are equipped with inverter technology that allows them to independently condition the air in several rooms from a single, central unit.
- > It has been decided to develop a product line that offers the most advanced air conditioning technology currently available on the market. In line with this decision, work is currently in progress to introduce a new series of completely redesigned air conditioners that achieve high levels of energy efficiency in both cooling and heating modes.



Washing machines

- > All of the models in the washing machine product line are digital-controlled. They have load capacities in the 3.5 kg to 8 kg range and spin speeds in the 400 to 1,600 rpm range.
- > In addition to standard 60-cm models, Vestel's product line includes SuperSlim (35 cm) and Slim (40 cm) models that have been specially designed for use in cramped settings.
- > Big-load capacity units are specially designed to be energy-conserving and have A+ ratings, which means they use 10% less electricity than A-class units do. Their washing and spinning cycles have A-class ratings.
- > Vestel washing machines are equipped with features that make them more resource-efficient such as a half-load detector that automatically changes program operation resulting in up to 30% savings in electricity and time and 20% savings in water. A Hygiene Program and eco-ball system also provide extra hygiene features.

2009 plans

- > Vestel Twinjet technology, the product of intensive R&D work, will be the main feature of a washing machine that will be the most competitive in terms of energy consumption, water consumption, program operation time, and washing performance and will be launched during 2009. Another feature that will be made available to consumers in 2008 is a "Super Fast" program intended for small loads of not very dirty laundry. Designed for day-to-day use, this program offers a short and very convenient 12-minute cycle.
- > The Company plans to introduce A+++ energy class (using 30% less electricity than A class units) washing machines with A-class washing performance levels during 2009. It is expected that these units will capture the lead among consumers in the European market.
- > Washing machines are to be manufactured for the Chinese market and shipped during the early part of the year.

Management's Assessment and Analysis of Operational Results



Cookers

- > The Vestel cooker product line is specially designed to meet all of the needs and expectations of the European and Turkish markets. Models include gas or electric, mechanical or digital controlled, knob/button/one-touch interfaces, built-in or free-standing, 50-60 cm widths, 85-90 cm heights, 48-61 liter full-sized ovens, and 60/70/78 cm wide ranges with 4 or 5 gas, electric, vitro-ceramic, and/or induction hobs. In addition to conventional full-sized ovens, there are also twin-partition full-sized ovens that permit simultaneous operation of two different cooking programs. The product line includes 30 cm width twin-hob gas or vitro-ceramic domino ranges.
- > Models come equipped with a wide variety of features offered in different combinations such as material options (stainless steel, glass, enameled sheet metal); function options (cooking programs, timers, "pizza mode", rotisserie, oven illumination); safety systems (automatic gas shutoff if the pilot light goes out, hot-surface warning); ergonomic accessories (shallow and deep enameled trays, glass trays, chrome-plated racks, sliding shelves); and cleaning features (easy-dismount oven door window, collapsible heating element, easy-to-clean catalytic enamel).
- > Energy class-A products have been introduced to the market with features that reduce energy use such as low-emission glass in oven door windows.

2009 plans

- > Vestel White Goods plans to introduce new-generation ovens and ranges during 2009 with self-cleaning features and one-touch interfaces that make it easy to adjust cooking temperatures.

Dishwashers

- > Vestel dishwashers come in a range of types capable of meeting the needs of most of the market. Standard 60-cm units have between 2 and 9+ program options. Energy class-A dishwashers come in stand-alone, half built-in, and full built-in models with 12 person capacities.
- > A wide variety of options are on offer such as the ability to adjust the upper basket height when full; a tablet detergent function; automatic detection of washing programs according to how dirty dishes are; three half-load options that save energy, water, and time; an independent prewashing function that eliminates the need for hand rinsing; and a turbo-drying function that improves drying performance).
- > Models come with material options (stainless steel and enameled sheet metal); ergonomic accessories (goblet holders, bottle holders, height-adjustable cup shelves); and hygiene programs.
- > Vestel dishwashers are designed and manufactured to comply with voltage requirements and standards in many different countries. Some models have established themselves strongly in the market with their low (45 dBA) noise levels.

2009 plans

- > A line of new products with higher dishwashing capacities and supported by improved ergonomic features is to be launched during 2009.
- > Products specially designed for the Australia, New Zealand, and Scandinavia markets are to be introduced during 2009.

Increased sales to A-brand manufacturers paralleling the expansion in the Company's product line and expectations that demand in Europe would shift to lower-priced products in the face of the global economic crisis helped minimize the impact of the current business downturn.

Sales

Vestel White Goods' total sales revenues in 2008 amounted to USD 974 million (USD 906 million in 2007). Exports accounted for a 66% of all sales revenues last year.

Increased sales to A-brand manufacturers paralleling the expansion in the Company's product line and expectations that demand in Europe would shift to lower-priced products in the face of the global economic crisis helped minimize the impact of the current business downturn on the Company's sales, which, at 4,764,590 units, were only marginally lower than the previous year's 4,784,382 units.

Although white goods sales in Europe (its biggest export market) were down 10% on a year-on-year basis in the last three months of the year, the decline in Vestel's white goods exports during the same period was only 0.9%.

As one of the biggest players in its home white goods market, Vestel's average market share in 2009 was 13% which, broken down by major product category, was 10% in dishwashers, 12% in cookers, 13% in washing machines, and 15% in refrigerators.

Profitability

Vestel White Goods booked a net profit of USD 24 million in 2008 (USD 57 million in 2007). The principal reasons for this reduction in profitability were:

1. Overall rise in raw material prices
2. Unfavorable exchange rate movements
3. Unfavorable market conditions limiting the reflection of rising costs on product prices

Indebtedness

In line with cash generated through operations coupled with improvement on the working capital side, the Company's net debt position of USD 10 million at year-end 2007 turned into a net cash position of USD 25 million as of the end of 2008.

Investment expenditures

Vestel White Goods spent a total of USD 28 million on its investments during 2008. Research and development expenses in 2008 amounted to USD 16 million. The ratio of R&D expenditures to sales revenues was 1.3%.

The business outlook and expectations for the future

The recession and drop in growth rates brought on by the global economic crisis in the European countries that make up Vestel White Goods' most important export market as well as a contraction in domestic demand and a slowdown in consumption in its home market make it necessary to be cautious about expressing any expectations or projections as to the future. That said, it can be expected that lower raw material prices combined with the Company's strategy of focusing on improving productivity at every level will help towards limiting the adverse impact of the recession on profitability.

The Company plans to continue expanding its portfolio through R&D and innovative new products in 2009 without letup.

Vestel's Distribution Network

A distributor in 10 European countries, Vestel has an extensive sales and after-sales services network with a truly national reach and consisting of 1,050 Vestel stores, 1,400 Regal dealerships (650 of them with Regal signage), and 400 authorized service outlets (electronics, white goods, air conditioners, and IT).

Vestel has an extensive and effective distribution network consisting of Vestel Foreign Trade, a sister company that handles its international sales, and Vestel Durable Consumer Goods Marketing, another group company that conducts its domestic sales.

Vestel Foreign Trade

- > Exports products to more than 119 countries around the world.
- > Is a distributor in 10 European countries.
- > Has a strong competitive edge in foreign markets thanks to its flexibility in meeting customers' needs, a talent for adapting quickly to changing market conditions, and a strong and sure hand in after-sales services.

With the rapid entry of international electronic goods marketing chains, competition in the Turkish market has become even more intense. Nevertheless Vestel Durable Consumer Goods Marketing enjoys a strong competitive advantage thanks to its management competencies and distribution channels as well as to superior product quality and to the experience that it has built up in multibrand marketing. The colocation of dealerships and service outlets under the same management gives the Company the ability to respond quickly and effectively to customers' needs and problems.

Vestel Durable Consumer Goods Marketing:

- > Has an extensive sales and after-sales services network with a truly national reach and consisting of 1,050 Vestel stores, 1,400 Regal dealerships (650 of them with Regal signage), and 400 authorized service outlets (electronics, white goods, air conditioners, and IT).

- > Makes extremely active use of its call center in achieving customer satisfaction. The Vestel call center is manned by 54 people and handled 2,755 calls (860 inbound and 1,895 outbound) in 2008. The incidence of complaint based calls last year was only 3% of the total.
- > Focuses outbound calls primarily on customer satisfaction surveys, maintenance and repair service surveys, free-maintenance day information, and customer feedback calls with the aim of enhancing Vestel brand recognition and customer satisfaction.
- > Takes a customer and sales-focused approach through its "concept stores" and multi-brand strategy.
- > Is the hub of an effective dealership and service outlet management system that incorporates GIS (Geographical Information System) technology.
- > Provides live product training online to all dealers and their personnel around the country via satellite services supplied by Vestel Group company Dexar.
- > Deploys a Manugistics system to achieve a 90% level of productivity in its resource planning, logistics, and supply chain management.
- > Adheres to an active communication and marketing strategy that has made Vestel seventh among the top ten recognized brand names in Turkey.

During 2008 Vestel continued to increase the number of its "concept stores", which are based on a multi-brand sales model that includes Vestel products. As of year-end, the number of such stores had reached 222, of which 208 were in Turkey and 14 were in other countries.

A new sales and after-sales services organization is being set up to expand the Vestel trademark into new markets outside Turkey: Russia and CIS countries (Georgia, Azerbaijan, Armenia, Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan); the Middle East (Syria, Iraq, Iran, Lebanon, Jordan, Saudi Arabia, United Arab Emirates, Yemen, Oman, and Gulf states); South Asia; North Africa (Morocco); and Cyprus. In addition to standard showrooms that sell only Vestel products, an extensive distribution network has grown up quickly in these markets thanks to wholesaling and corners through distributors.



The Vestel brand international sales and distribution network

Georgia

Sales channels: 2 distributors, Vestel signage showrooms, chain stores
Sales premises: 3 concept stores, 14 showrooms, 49 corners

Azerbaijan

Sales channels: 1 distributor
Sales premises: 2 concept stores, 1 showroom, 35 corners

Armenia

Sales channels: 1 distributor, wholesaling, Vestel signage showrooms
Sales premises: 6 distributor-owned showrooms

Uzbekistan

Sales channels: 1 distributor
Sales premises: 1 concept store, 1 showroom, 1 "Shop'n Shop"

Turkmenistan

Sales channels: 1 distributor, wholesaling
Sales premises: 8 distributor-owned showrooms

Kyrgyzstan

Sales channels: 1 distributor, wholesaling
Sales premises: 2 concept stores

Cyprus

Sales channels: 1 distributor, stores
Sales premises: 1 concept store, 6 showrooms

Syria

Sales channels: 1 distributor, Vestel signage showrooms, wholesaling
Sales premises: 1 concept store, 3 showrooms, 240 points of sale

Kazakhstan

Sales channels: 1 distributor, wholesaling
Sales premises: 4 concept stores, 3 showrooms, 13 "Shop'n Shops"

Iraq

Sales channels: 1 distributor, distributor-owned stores, wholesaling
Sales premises: 11 showrooms

Morocco

Sales channels: 1 distributor, 3 distributor-owned stores, 1,000 points of sale, wholesaling, chain stores, distributor's mature distribution network

Iran

Sales channels: 1 distributor, distributor-controlled wholesaling network
Sales premises: 30 wholesalers, 1,500 corners

Libya

Sales channels: 1 distributor, 5 distributor-owned stores, wholesaling, 150 points of sale, institutional sales (privately-owned construction firms, government tenders, etc)
Sales premises: 2 concept stores, 3 showrooms

Yemen

Sales channels: 1 distributor, 2 distributor-owned stores, wholesaling, 40 points of sale
Sales premises: 1 concept store, 1 showroom

Saudi Arabia

Sales channels: 1 distributor, 2 distributor-owned stores, chain stores, wholesaling

Lebanon

Sales channels: 1 distributor, 2 distributor-owned stores, chain stores, wholesaling
Sales premises: 1 concept store, 1 showroom

ÇOK AZ SU HARCAYAN
ECOWASH



* Ecowash, the Water-Saver

R&D at Vestel White Goods

Vestel regards design as a component of its products' added value and it keeps it in the forefront of all of its production processes. Because of this approach, the Company's white goods are recognized as outstanding as much for their innovative design details as for their functional and technological superiority.

R&D is one of the most important ways in which Vestel White Goods hones its competitive edge and distinguishes itself. An ability to create new and pioneering technologies and to come up with designs and products that appeal to customers globally and meet their needs is the outcome of the talents and efforts of Vestel White Goods' strong R&D team.

Vestel White Goods' R&D division consists of individual departments each of which is concerned with all aspects of its own production line. Every factory has its own R&D unit that reports directly to the factory manager. In addition to these, the headquarters Technology Development Center is responsible for carrying out industrial design and innovation activities that apply to all products.

As a result of an audit carried out within the framework of Statute 5746 concerning the support of research and development activities in Turkey, Vestel White Goods was awarded "R&D Center" certification on 17 October 2008.

Vestel White Goods R&D teams carry out activities in the areas of:

- > Procuring and applying new technologies
- > Designing new products
- > Making production processes more environment-friendly
- > Developing existing products
- > Increasing productivity and reducing costs.

The common objective of every Vestel White Goods' R&D unit and of the headquarters Technology Development Center is to develop individual products so as to support efforts to further increase the Company's competitive strength in international markets and to enhance customer satisfaction.

These R&D units are also specialized in resolving any technical issues that may arise with respect to products or production methods.

In line with this, R&D units and the headquarters Technology Development Center:

- > Closely monitor technical, academic, and industrial publications related to white goods and keep abreast of sectoral innovations and developments.
- > Engage in basic laboratory research looking for results that can be adapted to products as innovative features.
- > Keep a close watch on customers' needs and wishes through customer visits and by attending fairs and exhibitions. Design new products and modify existing ones accordingly.
- > Design products incorporating enhanced functions and features and improved production parameters.
- > Carry out trial production so as to obtain pre-manufacturing qualification for newly designed or improved products.

The success of the Vestel White Goods R&D team can be seen in the number of patents that the Company has applied for and received. As of end-2008:

- > 114 patent or utility model applications had been made, of which 31 had been awarded registration.
- > 46 industrial design applications had been made, of which 37 had been awarded registration

R&D at Vestel White Goods

Vestel White Goods engages in intensive R&D work to supply the market with environment-friendly products that take ecological issues into account and reduce energy consumption while enhancing functional performance.

In 2007 Vestel White Goods was the recipient of the Turkish Patent Institute's (TPI) "Golden Award", a prize given out every year with the aim of increasing Turkish companies' competitive strength. The award was for the introduction of Vestel's patented "electronic-controlled refrigerator with a two-way door hinge". This is the second TPI award that Vestel has received, the first being the "Patent League Champion" award given in 2006.

The application for a "top basket height adjustment mechanism" developed entirely in-house by Vestel White Goods' own engineers was awarded registration by the European Patent Office in 2008. This invention received broad coverage in the international white goods sector's leading trade magazines.

Keeping a close watch on the sector while developing products for different target groups, Vestel has a very good understanding of consumer expectations in different parts of the world. Design and technology features are developed taking local preferences and needs into account and products are created whose functions are compatible with sociocultural, climatic, and similar constraints.

Vestel regards design as a component of its products' added value and it keeps it in the forefront of all of its production processes. Because of this approach, the Company's white goods are recognized as outstanding as much for their innovative design details as for their functional and technological superiority. Vestel's industrial design team works together with R&D teams within the framework of an integrated

model. The result is a reflection of Vestel's success in design in which attention is given to a perfect amalgamation of functionality, ergonomics, and aesthetics.

In the Design Turkey 2008 Industrial Design competition jointly conducted by the Undersecretariat for Foreign Trade, the Assembly of Turkish Exporters, and the Professional Association of Industrial Designers, Vestel White Goods received two "Good Design" awards in the electric home appliances category: one for the "Vestel Quadro Split Air Conditioner" and the other for the "Vestel Olympus Washing Machine".

Vestel White Goods engages in intensive R&D work to supply the market with environment-friendly products that take ecological issues into account and reduce energy consumption while enhancing functional performance. In addition to such issues as making use of recyclable materials, less energy, and less water and of discharging less in the way of chemical effluents into the environment, R&D activities are also focused on technologies which make product user interfaces more ergonomic and which allow products to automatically detect what parameters should be used.

Ecowash: Technology that knows the value of water

The Hera 7009 energy class A dishwasher that Vestel put on the market in 2008 combines convenience and economy in a single appliance. This model is equipped with "Ecowash" technology, thanks to which substantial economies are achieved in water, time, and energy by means of one-touch settings like "Half load" and "Single basket" that allow greater control of washing programs and cycles.

The Vestel Hera 7009 achieves savings of up to 28% in water compared with conventional models and it is up to ten times more efficient than hand washing. Thanks to its intelligent sensors, the Vestel Hera 7009 detects not only how many dishes there are to be washed but also how dirty they are. The results are greater convenience for users, improved water and electricity efficiency, and superior hygiene.

Vestel White Goods: People and the Environment

Vestel White Goods fulfills all the responsibilities incumbent upon it as a good corporate citizen on all issues related to minimizing the environmental impact of its activities and to delivering to market only products that are environmentally compatible.

Human resources at Vestel White Goods

The prime objective of Vestel White Goods' human resources policy is to recruit and employ qualified and productive people in keeping with the Company's own dynamism. Recognizing that productivity and quality in production will rise in parallel with suitable and good working conditions, Vestel White Goods shapes all of its human resources policies and practices with this approach.

At end-2008 Vestel White Goods had 3,404 people (including those in Russia) on its payroll, of which 2,970 were blue collar and 434 were white collar workers.

Vestel White Goods employs a workforce whose profile is quite youthful. The average age of all employees is 28 years. In senior management, the average age is 42 years and in middle management it is 37 years. Among other white-collar personnel, the average age is 30 years.

Management systems and environmental and occupational health and safety at Vestel White Goods

In the main outline, Vestel White Goods' quality management system is erected on the foundations of maximizing performance and safety, being worthy of customers' confidence, and achieving customer satisfaction and customer loyalty.

Vestel White Goods was awarded ISO 9001-1994 Quality Management System certification in 2002 and ISO 9001-2000 Quality Management System certification in 2003.

The Company's OHSAS 18001 Occupational Health & Safety Management System audit was completed and the Company qualified for Turkish Standards Institute certification in 2008.

Vestel White Goods fulfills all the responsibilities incumbent upon it as a good corporate citizen on all issues related to minimizing the environmental impact of its activities and to delivering to market only products that are environmentally compatible.

- > Since June 2006, all of Vestel White Goods' products have been manufactured in compliance with the EU Restriction of Hazardous Substances (RoHS) Directive and complies with the use limits specified in that directive for six restricted substances (lead, mercury, cadmium hexavalent chromium (chromium VI or Cr6+), polybrominated biphenyls (PBB), and polybrominated diphenyl ether (PBDE)) in products. Because it is sensitive about the ability of people to live in a healthier environment, Vestel White Goods has assumed all of the costs involved in adhering to RoHS even though the directive has not yet gone into effect in Turkey, and has begun to supply RoHS-compliant products to the domestic market.
- > Paralleling RoHS, Vestel White Goods is also engaged in compliance activities concerning with the EU Waste of Electrical and Electronic (WEEE) Directive, under which every manufacturer is held responsible for the safe disposal/recycling of its own waste electrical and electronic equipment. Vestel White Goods is working in coordination with government authorities in the preliminaries needed in order to achieve the most effective implementation of WEEE regulations in Turkey.
- > Since the day it was founded and in line with its sense of global environmental responsibility, Vestel White Goods has adhered to a principle of avoiding the use of any substances that might deplete the ozone layer or lead to global warming by increasing the greenhouse effect in its production processes and products. For this reason, the Company makes use of gasses with low ozone depletion potential (ODP) and low global warming potential (GWP) in its refrigerator and air conditioner manufacturing.

Vestel White Goods: People and the Environment

Vestel White Goods' sensitive approach to environmental, occupational safety, and employee health issues and its practices are also a reflection of the Vestel Group's corporate values.

- > Priority is also given to manufacturing class-A+ or class-A products at Vestel factories so as to ensure that natural resources and electricity are used as efficiently as possible. Work is now in progress to introduce class-A++ and A+++ products to the market. The primary focus of the intensive research and development activities carried out at Vestel White Goods is research into ways that will make it possible for products to use less in the way of resources such as electricity, water, detergent, gas, etc.
- > A special unit has been set up with the responsibility of conducting all environment-related activities at the Company. Among such activities are: hazardous waste is stored as required by regulations and surrendered to licensed firms for recycling or destruction by licensed facilities; files are prepared as needed to apply for and obtain environment-related licenses from authorities (emissions licenses, EIA project description files, etc); ISO 14001 Environmental Management System activities are carried out at factories. Work is also continuing on efficiency-based energy management activities. Vestel's fundamental principle is to lower raw material consumption, minimize waste production and develop recycling projects, and reduce the amount of electricity, natural gas, and water that must be used.

Vestel White Goods' sensitive approach to environmental, occupational safety, and employee health issues and its practices are also a reflection of the Vestel Group's corporate values. The Company develops and implements policies that are in line with the Vestel Group's occupational health and safety policies.

Vestel White Goods is aware that its total quality attitudes and its positive approach to health and safety are fundamental to effective and productive management. For this reason, importance is given to understanding and managing the

potential impact of workplace risks on employees, subcontractors, visitors, and others. The objective of these efforts are to protect all concerned against the potentially dangerous and harmful effects of activities taking place at Vestel White Goods and to provide everyone with a healthier and safer working environment. Occupational health and safety is a matter of central importance and priority for every employee in the performance of their job with the aims of completely eliminating or at least minimizing work-related accident and fire risks; creating and maintaining a safe working environment for the conduct of all Vestel White Goods operations; fostering an awareness of occupational health and safety issues among all employees by means of an occupational health and safety system at world standards that is an example to others.

In keeping with these goals, Vestel White Goods:

- > Fulfills all of the requirements of laws, regulations, and administrative provisions; complies with the rules of the organizations of which it is a member; and continuously ensures that international standards, new technologies, and employee suggestions are incorporated into its policies and practices concerning such issues.
- > Identifies and analyzes its occupational health and safety risks and develops and implements plans aimed at preventing work-related accidents and diseases.
- > Ensures that its personnel at every level are aware of their responsibilities for occupational health and safety and provides continuous training on health and safety risks so as to inculcate correct habits and behavior.
- > Eliminates or minimizes work-related accidents, unsafe conditions, and unsafe activities at workplaces in order to prevent or reduce work-related accidents while also frequently reviewing working conditions and taking appropriate measures when problems are identified, ensuring that such measures are provided with the resources they need to be effective, and reviewing occupational health and safety policies and practices in light of changing conditions and requirements.
- > Adheres to the principle of "the right person for the right job" in its efforts to prevent or minimize work-related accidents.

Vestel White Goods constantly improves fire safety at its plants and its overall occupational health and safety performance through effective communication, information sharing, ongoing collaboration, and policy compliance.



Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi Corporate Governance Compliance Report

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Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi Corporate Governance Compliance Report

1- STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

In parallel with the activities related to Corporate Governance commenced in 2005 at Vestel White Goods Inc., corporate governance mechanisms were started to be run across the Company in line with the said principles. In the first phase of these activities, a series of amendments were made to the company's articles of incorporation so as to be able to offer an egalitarian, accountable, responsible and transparent structure to the shareholders. These amendments served to grant the rights, which are enforced by very few companies although envisaged by the Corporate Governance Principles, to minority shareholders, while radical changes were made to the management structure in pursuance of "better governance". Following the revisions made to the articles of incorporation, Corporate Governance practices were carried on with the establishment of Corporate Governance mechanisms at the Company. While the Board of Directors was vested in greater efficiency with independent members, it was aimed to further increase the efficacy in management by the committees set up under the Board of Directors. In addition, the Company's disclosure policy was spelled out and put into writing, and presented to the participants at the general meeting. A website has been developed so as to achieve maximum, simultaneous, accurate and complete public disclosure in line with Corporate Governance Principles.

Brought largely to completion by the end of 2006, these efforts were followed in 2008 by additional work undertaken with a view to further increasing the compliance of Vestel White Goods Inc., which are summarized below:

- The Public Disclosure Policy of the Vestel Group of Companies has been revised. Under the updated version, press statements to the printed and visual media and to data dissemination channels like Reuters, Bloomberg and Foreks etc. will be made only by the Chairman and Members of the Board of Directors and the Executive Committee. The revised Public Disclosure Policy was presented for the information of investors at the general meeting convened on 28 May 2008 and also posted on the Company's "Investor Relations" website.
- At the Corporate Governance Committee meeting held on 30 December 2008, a decision was passed to commence work for revising the Insider Trading Regulation.
- During 2008, the Internal Audit Department introduced a "risk-based approach to audit" with a view to strengthening the Internal Control System at the Vestel Group of Companies. In this context, all Internal Audit Department employees received training on this topic.

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.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Corporate Governance Compliance Report

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) 422 01 07 (direct)
Email: figen.cevik@vestel.com.tr

The principal activities carried out by the Corporate Finance and Investor Relations Department and the conferences attended in 2008 on behalf of Vestel White Goods Inc. are summarized below:

- HSBC Investors' Forum, İstanbul
- ING Investors' Conference, Antalya
- UBS Investors' Conference, İstanbul
- About 40 one-on-one meetings
- During the reporting period about 70 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 2008, 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:

- 20% - share prices (15 queries)
- 30% - various questions (20 queries)
- 50% - operational and financial performance (35 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 White Goods website and disclosure of material events have been the tools used in 2008 for the disclosure of developments that might have an impact on the shareholders' exercise of their rights.
- 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 general meeting for 2007 at 11:00 AM on 28 May 2008 at the address of Zorlu Plaza, Avcılar-İstanbul.
- The invitation for the meeting covering the meeting date and agenda was, as required by law and the Company's articles of incorporation, published in the Turkish Trade Registry Gazette issue 7056 dated 06 May 2008 and on Milliyet and Dünya newspapers dated 06 May 2008, as well as on the corporate website at www.vestel.com.tr. In addition, shareholders (all of the Company's shares are issued in bearer certificates) that had previously entrusted one share to the Company were also notified of the meeting by registered mail within the legally prescribed time. To facilitate attendance to the general meeting, announcements were published in the two newspapers with highest circulation in Turkey. In addition, all relevant information regarding the general meeting including the announcement was posted on the corporate website.
- Apart from the shareholders, the stakeholders and media representatives did not attend the general meeting.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi Corporate Governance Compliance Report

- Out of 190,000,000 shares corresponding to the Company's total capitalization of TL 190,000,000, 130,267,301 shares or 68.56% representing TL 130,267,301 in capital were present in person at the meeting. No proxy votes were cast.
- Prior to 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 headquarters and at the head office of Vestel Holding. All this information was also published on the corporate website together with the general meeting announcement and agenda.
- 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. Additionally, all announcements, documents, and other materials related to general meetings are now accessible to shareholders and to all other stakeholders at the Company's website.

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.
- 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 decision passed at the Vestel White Goods Inc. Board of Directors meeting held on 02 May 2008 at the company headquarters, the Company decided to distribute dividends that are equal to minimum 25% of the distributable profit in cash or in the form of bonus shares to the shareholders, including 2007-year profits in line with the dividend policy set by the Company's Board of Directors. 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.
- During the Company's 2007 general meeting, the profit distribution proposal for 2007 covered in item 8 of the agenda was explained to the participants, which was unanimously approved at the general meeting, and the profit distribution was carried out within the legally prescribed period of time.

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".

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi Corporate Governance Compliance Report

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. The said policy was revised and approved by the Board of Directors during 2008. Revised Disclosure Policy was presented for the information of shareholders and participants at the 2007 Ordinary General Meeting held on 28 May 2008. The disclosure policy has also been publicly disclosed 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 15 material event disclosures were made in 2008 pursuant to CMB regulations. Additional information was requested by the ISE concerning only one disclosure, which was provided immediately.
- 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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi Corporate Governance Compliance Report

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 (TL)	NUMBER OF SHARES
Vestel Electronics Inc.	68.526312	130,199,992.0	130,199,992.0
Ahmet Nazif Zorlu	0.000001	1.0	1.0
Olgun 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

- Vestel Electronics holds a stake of 4.1%.
- 51.62% stake in Vestel Electronics Inc., the company's principal shareholder, is owned by Collar Holding BV, which is wholly-owned by Ahmet Nazif Zorlu.

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
Olgun Zorlu	Board Member
Dr. Yılmaz Argüden	Board Member
Ömer Yüngül	Board Member & Chairman of the Executive Committee
Enis Turan Erdoğan	Board Member & Member of the Executive Committee
Cem Köksal	Board Member & Member of the Executive Committee
Şerif An	Statutory Auditor
Ahmet Günaydın Hızarcı	Statutory Auditor
İzzet Güvenir	Member of the Executive Committee
Levent Hatay	Member of the Executive Committee
Cengiz Ultav	Member of the Executive Committee
İhsaner Alkım	Member of the Executive Committee
Necmi Kavuşturan	Member of the Executive Committee
Özer Ekmekçiler	Member of the Executive Committee
Nedim Sezer	General Manager
Alp Dayı	Assistant General Manager for Financial Affairs
Aykut Kemal Öğünmüş	Accounting Manager
Cem Kadırgan	Financial Affairs Coordinator
Deniz Gökçeler	Financial Affairs Specialist
Figen Çevik	Corporate Finance and Investor Relations Director
Başak Dalga	Corporate Finance and Investor Relations Specialist
Arif Şirin	Control Budget Planning Manager
Serhat Tolga Dönmez	General Manager for Refrigerator Factory

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Hakan Akıncı	General Manager for A/C Factory
Cevdet Yavuz	General Manager for Cooking Devices Factory
Erdal Haspolat	General Manager for Dishwasher Factory
Kemal Özgür	General Manager for Washing Machines Factory
Halil Turan	Technology Development and Industrial Design Manager
Hamza Cihan San	Information Technology Director
İsmail Cin	Business Development and Project Manager
Coşkun Özkan	Internal Audit Manager
Emre Halit	Grant Thornton Independent Auditors
Gül Şahin	Grant Thornton Independent Auditors
Cengiz Avcı	Grant Thornton Independent Auditors
Sezen Mercanoğlu	Grant Thornton Independent Auditors
Necdet Beşir	Anlar 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.

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.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi Corporate Governance Compliance Report

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.
- A new performance appraisal system has been introduced during the report period for the Vestel Group employees, which is based on individual performance but also relates to results obtained by the department and the Company, and which aims to contribute to the employees' individual and the organization's corporate development. By the revised version, measurement methods became more objective.
- Employees are kept informed periodically by Intranet and email systems. 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. The training process is handled centrally for all Vestel Companies and the whole process is carried out on the intranet. The training programs are designed to provide them with the opportunity to move forward in their careers. 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

- Within the scope of social responsibilities, Vestel White Goods Inc. joins the activities carried out by its parent company Vestel Electronics and Zorlu Holding. The Zorlu Group, which also covers Vestel Group of Companies, signed the United Nations Global Compact in 2007, an initiative that represents a major step taken towards leveraging the principles and values espoused ever since its foundation to global social responsibility platform.
- As a responsible corporate citizen, Vestel White Goods fulfills its liabilities concerning reducing the environmental impact arising from its activities, and introducing products that are compatible with the nature. Since June 2006, the Company adheres to the RoHS (Restriction of the Use of Certain Hazardous Substances) directive in the manufacturing of all of its products. Accordingly, the use of six heavy metals (lead, mercury, cadmium, chrome+6, PBB, PBDE) posing threat to living things and the environment has been limited in the products. Displaying its sensitivity to ensure that the Turkish people living in healthier environments, Vestel White Goods bore the costs resulting from this implementation and started supplying the domestic market with products that conform to the RoHS directive, before this regulation went into force in our country.
- Work in relation to WEEE (Waste of Electrical and Electronic Equipment directive) is in progress in parallel with RoHS efforts. According to this directive, each brand is responsible for the collection and recycling of the wastes of its own products. Our Company is carrying out the necessary preparations with a view to adhering to the WEEE directive in the most effective manner in coordination with the authorized governmental bodies.
- In accordance with its global environmental responsibility, our Company made it a principle ever since its foundation not to use in the products and production processes the chemicals that deplete the ozone layer or lead to global warming by creating greenhouse effect. In keeping with this philosophy, gases with very low ODP (ozone depletion potential) and GWP (global warming potential) levels are being used in the production of our refrigerators and air conditioners.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi Corporate Governance Compliance Report

In addition, priority is given to the production of Class A and A+ products at Vestel plants with a view to contributing to the effective use of natural resources and electricity, and research and development activities are carried out heavily for products that consume the resources such as electricity, water, detergent, gas. etc. less.

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		Educational Classification	Previous background Experience
Ahmet Nazif Zorlu	Chairman	64	1 year	Non-executive	Primary School	
Ekrem Pakdemirli	Deputy Chairman	69	1 year	Independent	University	- Member of the Parliament - Deputy Prime Minister - Faculty member of Bilkent, Başkent and Ege Universities - Deputy Rector with Dokuz Eylül University
Olgun Zorlu	Board Member	43	1 year	Non-executive	University	Served successively in various capacities in Zorlu Group companies
Ömer Yüngül	Board Member	53	1 year	Executive	University	Vestel White Goods (General Manager)
Enis Turan Erdoğan	Board Member	53	1 year	Executive	University	Ekinciler Holding
Recep Yılmaz Argüden	Board Member	50	1 year	Independent	University Minister	- Chief Consultant to the Prime Minister
Bekir Cem Köksal	Board Member	41	1 year	Executive	University	- Chairman of Erdemir 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.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi Corporate Governance Compliance Report

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 mission, vision, goals and core values of the Vestel Groups are publicly disclosed on the corporate website.

Mission: To conquer the world with technology products

Vision: To be the world's most powerful technology and production group in the sector

- 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 2008. 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.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi Corporate Governance Compliance Report

- 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.

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 2008, 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 Bodur (non-executive member of the Board of Directors and member of the Audit Committee at Vestel Electronics).
- 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 2008 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.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi Corporate Governance Compliance Report

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 Olgun Zorlu.
- The Corporate Governance and Appointments Committee is required to meet at least three times a year.
- 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 2008 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 2008, the members of the Vestel White Goods Board of Directors were being paid TL 60,000 (gross) a year in total, which is commensurate with precedents in the sector. The statutory auditors were being paid TL 2,580 a year each. The amounts for the year 2009 will be decided at the 2008 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 2007-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 01 January 2008-31 December 2008 fiscal year

The Board of Directors of the firm of Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi was convened by chairman Ahmet Nazif Zorlu at the company's headquarters on 29 April 2009. The items on the agenda were discussed and the following resolutions were passed.

2008 net profit TL 30,816,495-
5% legal reserve TL 1,838,180-
Distributable profit TL 30,816,495-

It is unanimously resolved by the participants in the meeting that:

1. A proposal is to be made to the general assembly of shareholders on the subject of paying out, as dividends, the amount of TL 5,798,470 remaining after a legal reserve and an extraordinary reserve have been set aside from 100% of the TL 30,816,495 in distributable profit.
2. Due to the current global crisis, cash dividends are to be paid out on the basis of the minimum profit distribution ratio (20%) for 2008, as set out by the CMB, from the 2008 profit despite our dividend policy which stipulates that at least 25% of the Company's net distributable profit will be distributed in dividends either as a cash payment or in the form of shares of stock.
3. The date for payment of these dividends be decided by the general assembly of shareholders.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi Statutory Auditor's Report Summary

TO THE GENERAL ASSEMBLY OF VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

Title of Association	: VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
Center	: Zorlu Plaza, Avcılar – İstanbul
Capital	: TL 190,000,000
Field of Activity	: Refrigerator, air-conditioner, laundry and cooking home instruments production.
Auditor(s) name, period in office, being partner or company's personnel	: Şerif Arı – 1 Year Ahmet G. Hızarcı – 1 Year not partner nor personnel
Number of Board Meetings and Audit Commission meetings	: 4-8
Content of audit, audit dates and result	: In the audits made on the legal books and documents of the company, it has been concluded that records are kept fairly and accurately in compliance with accounting rules and principles.
Number and results of counting's which has been performed on association's cashier desk in accordance with Turkish Trade Law's 353rd article's 1st anecdote's 3rd definition	: Cashier's desk counting was made four times and it was resolved that stocks are in compliance with the records.
Audit dates and results that has been performed in accordance with Turkish Trade Law's 353rd article's 1st anecdote's 4th definition	: There are no securities delivered by mortgage or guarantee or bailment to company according to the monthly audits
Complaints or frauds perceived, and legal proceedings	: There are no complaints or frauds perceived.

I have audited the accounts and transactions of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. at the period of 01.01.2008-31.12.2008 in accordance with Turkish Trade Law, association's primary agreement, other regulations and general accounting principles.

In my opinion, the financial statements present fairly, in all material respects, the financial position of association as of 31 December 2008 and the dividend distribution proposal is in accordance with general laws and association's primary agreement.

I present approval of the Balance Sheet and The Income Statement and acquittance of Board of Directors.



Şerif ARI
Auditor



Ahmet G. HIZARCI
Auditor

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi Resolution of the Board of Directors

RESOLUTION DATE : 29.04.2009

RESOLUTION NO : 2009/8

PARTICIPANTS : Ahmet Nazif ZORLU
Ekrem PAKDEMİRLİ
Olgun ZORLU
Ömer YÜNGÜL
Enis Turan ERDOĞAN
Bekir Cem KÖKSAL

MEETING AGENDA :

The Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi convened at the company's headquarters under the chairmanship of Mr. Ahmet Nazif Zorlu and discussed the subjects on the agenda and adopted the below-mentioned resolutions.

The Board of Directors who convened for the meeting decided unanimously to accept the 2008 Annual Report, which has been presented to the Board of Directors and is attached hereto, and to make the report available to shareholders.

BOARD OF DIRECTORS



Ahmet Nazif ZORLU
Chairman



Ömer YÜNGÜL
Board Member



Ekrem PAKDEMİRLİ
Vice Chairman



Enis Turan ERDOĞAN
Board Member



Olgun ZORLU
Board Member



Bekir Cem KÖKSAL
Board Member

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi
Financial Statements at 31 December 2008
Together with Auditor's Report

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi Independent Auditor's Report

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

We have audited the accompanying financial statements of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. (the "Company"), which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

Aykut Halit
Partner

İstanbul, 06.03.2009

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Balance Sheets at 31 December 2008 and 2007

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

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

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Balance Sheets at 31 December 2008 and 2007

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

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

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Income Statements for the Years Ended 31 December 2008 and 2007

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

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

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Statements Of Changes in Equity for The Years Ended 31 December 2008 and 2007

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

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

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Cash Flow Statements for the Years Ended 31 December 2008 and 2007

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

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

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2008

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

1. ORGANIZATION AND NATURE OF ACTIVITIES

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

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

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

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

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of preparation

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

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

2.2 Measurement currency, reporting currency

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

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

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

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

Interpretations effective in January 2008 but not relevant:

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2008

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

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

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

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

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

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

2.4 Comparable financial information and reclassification of prior period financial statements

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

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

2.5 Critical accounting estimates, assumptions and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary they are reported in earnings in the periods in which they become known.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2008

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

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

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

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

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

2.6 Offsetting

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Foreign currency translations and transactions

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

As of 31 December 2008 and 2007, the foreign exchange rates used by the Company are as follows:

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

Property, plant and equipment depreciation

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2008

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

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

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

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

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

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

Intangible assets

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

Research and development costs

Research expenditure is recognized as an expense as incurred.

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

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

Other intangible assets

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

Impairment of assets

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2008

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

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

Borrowing costs

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

Bank borrowings

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

Provisions

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

Warranty provision

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

Contingent assets and contingent liabilities

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

Leases

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

Operating lease

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

Related parties

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2008

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

Government incentives and subsidies

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

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

Recognition and derecognition of financial instruments

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

Employee benefits

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

Revenue recognition

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

Trade receivables

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

Trade payables

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

Inventories

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

Income taxes

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

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

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2008

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

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

Earnings per share

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

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

Cash and cash equivalents

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

4. EARNING PER SHARE

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

5. CASH AND CASH EQUIVALENTS

	2008	2007
Cash in hand	70	35
Cash at banks		
- Demand deposit	15.313	443
- Time deposits	104.245	73.877
	119.628	74.355

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

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2008

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

6. TRADE RECEIVABLES

	2008	2007
Current		
- Third parties	955	754
- Related parties, note 25	140.658	95.206
Notes receivable		
- Related parties, note 25	92.415	142.151
Others	--	7
	234.028	238.118
Unearned interest on receivables (-)	(4.629)	(4.889)
	229.399	233.229

7. INVENTORIES

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

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

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

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2008

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

8. OTHER ASSETS

	2008	2007
Prepaid expenses	1.533	1.502
VAT receivable	12.566	15.512
Due from personnel	45	127
Prepaid taxes	2.991	516
Other	4.159	110
	21.294	17.767

9. PROPERTY, PLANT AND EQUIPMENT

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2008

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

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

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

Leased assets included in the table above comprise plant and machinery amounting to TL 17.744 net of accumulated depreciation. (2007: TL 24.016).

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2008

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

10. INTANGIBLE ASSETS

	01.01.2008	Additions	Transfers	31.12.2008
Cost				
Rights	6.625	--	--	6.625
Development cost	10.762	8.997	--	19.759
Other	1.012	282	--	1.294
	18.399	9.279	--	27.678
Accumulated amortization				
Rights	6.604	18	--	6.622
Development cost	5.003	4.022	--	9.025
Other	587	272	--	859
	12.194	4.312	--	16.506
Net book value	6.205			11.172
	01.01.2007	Additions	Transfers	31.12.2007
Cost				
Rights	6.625	--	--	6.625
Development costs	5.235	4.882	645	10.762
Other	882	130	--	1.012
	12.742	5.012	645	18.399
Accumulated amortization				
Rights	6.499	105	--	6.604
Development costs	4.374	629	--	5.003
Other	338	249	--	587
	11.211	983	--	12.194
Net book value	1.531			6.205

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2008

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

11. BORROWINGS

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

The Company obtained various loans from non-Turkish financial institutions with a maturity of 5 years in years between 2003-2007 for financing investments in production machinery and equipment. As of 31.12.2008, the Company's borrowings under these facilities included a short term payable of TL 22.632 (31.12.2007: TL 18.487) and long term payable of TL 56.199 (31.12.2007: TL 60.444). The principal amount of these loans is repayable at six months intervals and the last repayment date is December 2015. The annual interest rate is between Euribor + 0,3% and 1%.

The Company's borrowings as of 31.12.2008 also included borrowings under a EUR 9.000.000 facility obtained during June 2003 for financing working capital. The loan matures in May 2009. As of 31 December 2008, the remaining principal amount outstanding is EUR 1.125.000 (TL 2.408). The annual interest rate is Euribor + 3,25%.

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

Due in one year	25.268	22.715
One to two years	19.510	19.663
Two to three years	14.907	15.244
Three to four years	8.196	11.568
Four to five years	4.999	6.207
Over five years	8.587	9.686
	81.467	85.083

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2008

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12. TRADE PAYABLES

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

13. PROVISION FOR EXPENSES

	2008	2007
Warranty provision	4.997	6.294
Expense accruals	175	--
	5.172	6.294
	Warranty expense	Expense accruals
Beginning balance	6.294	--
Charge for the period	(1.297)	175
Closing balance	4.997	175

14. OTHER LIABILITIES

	2008	2007
Income tax and social security payables	2.694	3.803
Advances received	5	211
Due to personnel	1.666	1.454
Other	9	238
	4.374	5.706

15. TAXATION ON INCOME

a. Current taxation

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

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In Turkey, the corporation tax rate on the profits for the calendar year 2008 is 20% (2007: 20%). Taxable profits are calculated by modifying accounting income for certain exclusions and allowances for tax purposes from the profit disclosed in the statutory income. No other taxes are paid unless profits are distributed.

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

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

In Turkey the exemption period granted on profits from the sale of investment shares and immovable property by Corporation Tax Law transitory articles No. 28 and 29 expired on 31 December 2004. However this exemption was re-enacted by Law No. 5281 on permanent basis in effect from 1 January 2005. Accordingly, 75% of profits from the sale of investments and immovable held for a minimum of two years will be tax exempt provided the sale proceeds are collected within two years and 75% of the profit is added to share capital or is kept in a special reserve account for a minimum of five years.

In Turkey companies were allowed to deduct 40% of the value of fixed assets (exceeding TL 6.000) purchased after 24 April 2003 (investment allowances) from their taxable profits as investment incentive. Such investment deduction is also not subject to income tax withholding. The investment deductions not used in any year because of insufficient profits may be carried to future periods. Investment allowances related to fixed assets purchased or to be purchased under Investment Incentive Certificates granted or applied for before 24 April 2003, may be based on up to 100% of the investment value in fixed assets, but these are subject to tax at 19.8%. Investment allowances have been cancelled as from 1 January 2006 but investment allowances earned prior to this date may be used up to 31 December 2008; any balance unused after this date may not be carried forward; if this option is exercised the balance of taxable profit after deduction of investment allowances is to be taxed at 30%.

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

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

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

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

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

	2008	2007
Corporation and income taxes	8.997	11.907
Prepaid taxes (-)	(8.997)	(11.907)
Corporation and income taxes payable	--	--
Deferred tax asset	(2.769)	(2.385)
Deferred tax liability	13.958	12.596
	11.189	10.211

b. Deferred taxation

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

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

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

A reconciliation of the deferred tax expense is as follows:

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

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16. EMPLOYEE TERMINATION BENEFITS

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

The amount of indemnity is the equivalent of one month's salary for each year of service subject to a ceiling which is TL 2.173,19 as of 31 December 2008 (2007: TL 2.030,19) on historical cost basis).

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

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

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

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

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

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

Personnel cost:

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

17. SHARE CAPITAL

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

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

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

18. COMMITMENTS AND CONTINGENCIES

a) Contingent asset

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

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

b) Contingent liabilities

- As of 31.12.2008, the Company has contingent liabilities amounting to TL 6.835 (31.12.2007 : TL 5.511) in respect of bank loans, letters of credit and other guarantees arising in the ordinary course of business.
- Due to the export and investment incentive certificates obtained for tax purposes, the Company has committed to realize exports amounting to USD 128.637 thousand (31.12.2007: USD 306.235) as of 31.12.2008.
- The payment of VAT on certain export sales may be postponed and later cancelled by the tax office subject to clearance of certain routine formalities in due course. Responsibility of the Company continues until such clearance however no liability has arisen in the past and no liability is reasonably expected for the future. As of 31.12.2008, the amount of VAT is TL 28.383 (31.12.2007: TL 33.108).
- The Company signed credit agreement with Vakıflar Bankası for USD 100 million. Group companies and the majority shareholders of the Company were beneficiaries of and guarantors to the agreement.
- Vestel Elektronik Sanayi ve Ticaret A.Ş. (majority shareholder of the Company) is a guarantor for a loan of EUR 9.000 thousand obtained by the Company in June 2003 (note 6).
- The Company is the guarantor in favour of Vestel Elektronik Sanayi ve Ticaret A.Ş. for bank borrowings amounting to TL 30.000, EUR 50.000 thousand, JPY 473.000 thousand and USD 100.000 thousand.
- The Company has given payment guarantee to various suppliers in favour of Vestel Holland B.V.
- The Company is the guarantor in favour of Vestel Pazarlama and Vestel Elektronik Sanayi ve Ticaret A.Ş. for bank borrowings obtained from ABN AMRO Bank.
- The Company is the guarantor in favour of Vestel CIS Ltd and Vestel Trade Ltd. for bank borrowings obtained from Citibank A.Ş.

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- The Company is the guarantor for bank borrowings obtained from Finansbank A.Ş. amounting to USD 83.000 thousand.
- The Company is the guarantor in favour of Vestel Dış Ticaret A.Ş. for bank borrowings obtained from Finansbank A.Ş. amounting to EUR 4.700 thousand.
- In accordance with the board of directors' decision dated 14 November 2008, the Company is the guarantor for the bank loans have been/to be borrowed by Vestel Holland B.V. and Vestel Dayanıklı Tüketim Malları A.Ş. from ABN AMRO Bank A.Ş. amounted to EUR 26 million and USD 30 million, respectively.
- The Company is the guarantor for a murabaha agreement obtained from HSBC Bank Plc centered in London (Including HSBC Amanah Finance located in Dubai and HSBC Bank A.Ş. located in Istanbul) in favour of Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş. (" Vestel Pazarlama") amounting to USD 80.000 thousand. As of 31.12.2008 Vestel Pazarlama used USD 60.000 thousand in relation to this agreement.
- In accordance with the board of directors' decision dated 22 June 2007, the Company is the guarantor for the bank loans have been borrowed by Vestel Elektronik Sanayi ve Ticaret A.Ş. from Türkiye Garanti Bankası A.Ş. amounted to TL 13.000 and USD 60.000 thousand.
- A lawsuit has been initiated against the Company by a company which is engaged in the production of household appliances for the invalidity of the patent certificate. The Company has initiated a counter lawsuit with a claim to cancel the patent certificate from the related registry and invalidity of the same. The law-suit is still pending and at the stage of expert evaluation. The Company does not believe that this litigation will have a material adverse effect on the results of operation or financial condition of the Company.
- The value of executive proceeding consumer lawsuits TL 90 and the value of lawsuits which have been finalized in favour of the Company amounted TL 265.
- As of the balance sheet dates operational lease commitments are shown below:

	2008	2007
Less than one year	256	139
More than one year and less than four years	218	200
	474	339

c) Derivatives

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

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

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19. REVENUE

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

Gross sales per geographical segment is given below:

Turkey	425.753	379.388
Europe	663.975	642.761
Other	170.147	157.189
	1.259.875	1.179.338

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20. COST OF SALES

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

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21. NATURE OF EXPENSES

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

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

22. OTHER INCOME AND EXPENSE

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

Idle capacity expenses is related to unused capacity and pre-operation expenses for the new cooker and refrigerator factories which commenced their operations in year 2008 and 2007.

	2008	2007
Profit on sale of property, plant and equipment	3	137
Grant income	2.929	9.001
Other	4.182	679
Other income	7.114	9.817
Idle capacity depreciation expenses	--	1.216
Provision for diminution in value of inventories	3.269	883
Loss on sale of property, plant and equipment	494	85
Other	484	606
Other expense	4.247	2.790

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23. FINANCING INCOME AND FINANCING EXPENSE

	2008	2007
Foreign exchange gain	62.342	53.953
Interest income from bank deposits	3.112	3.223
Interest income from term sales	4.599	14.610
Forward gains	3.763	--
Unearned interest on payables	8.039	15.229
Financing income	81.855	87.015
Foreign exchange loss	94.726	12.993
Bank loans interest expense	6.656	8.122
Interest expense from term purchases	222	733
Letters of credit expenses	6.665	4.355
Finance lease interest expense	21	402
Bank commission expenses	84	168
Unearned interest on receivables	8.730	7.188
Other	579	525
Financing expense	117.683	34.486

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24. RELATED PARTY DISCLOSURE

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

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

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

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

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

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

25. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

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

Credit risk

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

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

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

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

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

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

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

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

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Interest rates risk

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

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

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

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

2008 (%)	USD	EUR	TL
Assets			
Cash and cash equivalents	2,5	3,7	14,9
Trade receivables	1,1	2,6	15,7
Liabilities			
Borrowings	--	4,3	--
Trade payables	1,2	2,7	15,9
2007 (%)			
Assets			
Cash and cash equivalents	4,9	4,5	18,4
Trade receivables	4,5	4,2	15,8
Liabilities			
Borrowings	--	5,2	--
Trade payables	4,4	4,7	14,7

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

Liquidity risk

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

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

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

	Book value	Total cash out flow	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years
2008						
Contractual maturities						
Borrowings	81.467	81.467	4.839	20.429	47.612	8.587
Finance lease liabilities	1	1	--	1	--	--
	81.468	81.468	4.839	20.430	47.612	8.587
Derivative cash inflow	33.060	40.156	--	40.156	--	--
Derivative cash outflow	(33.060)	(36.394)	--	(36.394)	--	--
	--	3.762	--	3.762	--	--
Expected maturities						
Trade payables	260.898	260.898	120.056	139.492	1.351	--
Other liabilities	9.546	9.546	4.374	5.172	--	--
	270.444	270.444	124.430	144.664	1.351	--
	Book value	Total cash out flow	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years
2007						
Contractual maturities						
Borrowings	85.082.998	85.082.998	4.999.592	17.715.416	52.680.810	9.687.180
Finance lease liabilities	883.278	883.278	457.793	424.629	856	--
	85.966.276	85.966.276	5.457.385	18.140.045	52.681.666	9.687.180
Expected maturities						
Trade payables	207.707.332	207.707.332	135.142.561	72.564.771	--	--
Other liabilities	12.000.225	12.000.225	5.476.878	6.523.347	--	--
	219.707.557	219.707.557	140.619.439	79.088.118	--	--

Capital risk management

The Company's capital management objectives are:

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

By pricing products and services commensurately with the level of risk

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2008

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

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

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

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

Foreign currency risk

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

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

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

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2008

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

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

Fair value of financial instruments

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

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

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

Financial assets

Monetary assets for which fair value approximates carrying value:

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

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

Financial liabilities

Monetary liabilities for which fair value approximates carrying value:

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

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Investor Information

Ordinary General Meeting

In line with a resolution passed at a meeting of the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş., the Company's ordinary general meeting for 2008 will be held on 27 May 2009 at 11:00 am at the address of Zorlu Plaza, Avcılar-İstanbul.

Independent Auditor

Engin Bağımsız Denetim ve Serbest Muhasebecilik Mali Müşavirlik A.Ş.
Member of Grant Thornton International
Yıldız Posta Cad.
Dedeman İşhanı No: 48, Kat: 5
34349 Gayrettepe – İstanbul

Financial Information and Company News

Vestel Beyaz Eşya annual reports, financial statements, auditor's reports, explanations on special events and other information about the Company may be obtained from the Company's investor relations website at www.vestelyatirimciliskileri.com as well as from the Vestel Group Investor Relations Department by email or telephone.

Investor Relations

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Share Information

Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.'s shares have been trading on the İstanbul Stock Exchange National Market under the symbol VESBE since April 2006.

As of 31 December 2008, Vestel White Goods' market value was on the order of USD 145.7 million. The average trading volume of the Company's shares on ISE was worth about USD 1.9 million in 2008.

Contact

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