

**VESTEL BEYAZ EŐYA SANAYİ VE
TİCARET ANONİM ŐİRKETİ
FINANCIAL STATEMENTS FOR
THE YEAR ENDED
31 DECEMBER 2011
TOGETHER WITH AUDITORS'
REPORT**

INDEPENDENT AUDITOR'S REPORT

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

1. We have audited the accompanying statement of balance sheet of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. (the "Company") as at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes in accordance with the auditing standards issued by Capital Market Board ("CMB").

Management's responsibility for the financial statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting standards published by Capital Market Board. 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

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards published by CMB. 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.
4. 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.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, the financial statements present fairly, in all material respects, the balance sheet of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards accepted by the CMB.

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Member Firm of Grant Thornton International

Ajda Düzgün Ertuğrul
Partner

İstanbul, 07.03.2012

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VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO FINANCIAL STATEMENTS AS OF 31 DECEMBER 2011

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VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
BALANCE SHEETS
AS OF 31 DECEMBER 2011 AND 31 DECEMBER 2010

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

	Note	31.12.2011	31.12.2010
Assets			
Current assets			
Cash and cash equivalents	4	7.321	19.552
Financial investments	5	--	14.947
Trade receivables	8	605.567	444.066
Other receivables	9	33.989	24.608
Inventories	10	229.778	162.045
Derivative financial instruments	7	12.557	--
Other assets	16	4.471	3.506
Total current assets		893.683	668.724
Non-current assets			
Property, plant and equipment	11	291.049	272.782
Intangible assets	12	34.276	22.098
Deferred tax assets	24	7.908	5.295
Total non-current assets		333.233	300.175
Total assets		1.226.916	968.899

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
BALANCE SHEET
AS OF 31 DECEMBER 2011 AND 31 DECEMBER 2010

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

	Note	31.12.2011	31.12.2010
Liabilities			
Current liabilities			
Financial liabilities	6	187.867	79.985
Trade payables	8	442.238	270.984
Current income tax liabilities	24	--	--
Derivative financial instruments	7	--	5.909
Provisions	14.a	20.183	8.314
Other liabilities	16	9.435	7.401
Total current liabilities		659.723	372.593
Non-current liabilities			
Financial liabilities	6	36.352	66.996
Provision for employment termination benefits	15	9.461	7.231
Deferred tax liability	24	11.633	10.073
Total non-current liabilities		57.446	84.300
Equity			
Paid in capital	17.a	190.000	190.000
Adjustments to share capital	17.b	9.734	9.734
Share premium	17.c	109.031	109.031
Restricted reserve	17.d	37.921	35.067
Retained earnings	17.e	142.916	142.916
Net income for the year		20.145	25.258
Total equity		509.747	512.006
Total liabilities and equity		1.226.916	968.899

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2011 AND 31 DECEMBER 2010

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

	Note	01.01.- 31.12.2011	01.01.- 31.12.2010
Continuing operations			
Revenue	18.a	1.973.169	1.424.256
Cost of sales (-)	18.b	(1.788.425)	(1.317.605)
Gross profit		184.744	106.651
Marketing, selling and distribution expenses (-)	19	(74.438)	(40.397)
General administrative expenses (-)	19	(26.371)	(22.023)
Research and development expenses (-)	19	(25.857)	(13.742)
Other income	21.a	2.808	3.847
Other expense (-)	21.b	(1.032)	(2.959)
Operating profit		59.854	31.377
Financial income	22	249.796	97.719
Financial expense (-)	23	(287.961)	(99.999)
Income before tax		21.689	29.097
Tax (expense) / benefit			
Current tax expense (-)	24	(2.597)	(6.604)
Deferred tax benefit	24	1.053	2.765
Net income		20.145	25.258
Other comprehensive income		--	--
Total comprehensive income		20.145	25.258
<hr/>			
Earnings per share (TL, full)	25	0,11	0,13

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2011 AND 31 DECEMBER 2010

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

	Paid in capital	Adjustments to share capital	Share premium	Restricted reserve	Retained earnings	Net income for the year	Total equity
Balances at 01.01.2010	190.000	9.734	109.031	19.796	142.916	117.675	589.152
Transfer to retained earnings	--	--	--	--	117.675	(117.675)	--
Transfer to restricted reserve	--	--	--	15.271	(15.271)	--	--
Dividends paid	--	--	--	--	(102.404)	--	(102.404)
Transactions with owners	190.000	9.734	109.031	35.067	142.916	--	486.748
Net income for the year	--	--	--	--	--	25.258	25.258
Other comprehensive income	--	--	--	--	--	--	--
Balances at 31.12.2010	190.000	9.734	109.031	35.067	142.916	25.258	512.006
Transfer to retained earnings	--	--	--	--	25.258	(25.258)	--
Transfer to restricted reserve	--	--	--	2.854	(2.854)	--	--
Dividends paid	--	--	--	--	(22.404)	--	(22.404)
Transactions with owners	190.000	9.734	109.031	37.921	142.916	--	489.602
Net income for the year	--	--	--	--	--	20.145	20.145
Other comprehensive income	--	--	--	--	--	--	--
Balances at 31.12.2011	190.000	9.734	109.031	37.921	142.916	20.145	509.747

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2011 AND 31 DECEMBER 2010

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

	Note	01.01.- 31.12.2011	01.01.- 31.12.2010
Income before tax		21.689	29.097
Adjustments to reconcile net cash provided from operating activities to income before taxes	28	74.088	68.912
Net cash flow from operating activities before changes in operating assets and liabilities		95.777	98.009
Changes in operating assets and liabilities	28	(80.070)	(65.925)
Corporate taxes paid		(2.642)	(11.225)
Net cash flows provided by operating activities		13.065	20.859
Cash flows from investing activities			
Changes in financial assets held for trading		14.947	(401)
Acquisitions of property, plant and equipment	11	(70.978)	(34.325)
Cash provided from sale of property, plant and equipment and intangible assets		1.415	1.808
Acquisitions of intangible assets	12	(16.537)	(12.705)
Net cash used in investing activities		(71.153)	(45.623)
Cash flows from financing activities			
Proceeds from bank borrowings		481.769	136.191
Repayment of bank borrowings		(405.879)	(100.054)
Dividend paid		(22.404)	(102.404)
Interest received		(8.149)	(2.732)
Interest paid		415	1.274
Net cash provided by (used in) financing activities		45.752	(67.725)
Net decrease in cash and cash equivalent		(12.336)	(92.489)
Cash and cash equivalent as of 01 January		19.552	112.041
Cash and cash equivalent as of 31 December	4	7.216	19.552

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

NOTE 1 – ORGANISATION 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 its head office is located at Zorlu Plaza, 34310 Avcılar / Istanbul.

The Company started its operations in 1999 and produces refrigerators, room air conditioning units, washing machines, cookers, dishwashers and water heaters. The Company’s production facilities occupy 312.000 square meters of enclosed area located in Manisa Organized Industrial Zone on total area of 395.000 square meters.

The Company is a member of Vestel Group of Companies which are under the control of the Ahmet Nazif Zorlu family. The Company performs its foreign sales and domestic sales via Vestel Dış Ticaret A.Ş. and Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş., respectively, which are also members of Vestel Group of Companies.

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

As of 31.12.2011, the shareholders of the Company and their percentage shareholdings were as follows:

	Shareholding %
Vestel Elektronik Sanayi ve Ticaret A.Ş.	68,5
Shares held by public (ISE)	
Vestel Elektronik Sanayi ve Ticaret A.Ş.	4,1
Other shareholders	27,4
	100,0

As of 31 December 2011, the number of personnel employed was 4.860 (31.12.2010: 4.485).

The financial statements for the year ended 31 December 2011 (including comparatives) were approved by the Board of Directors on 07.03.2012. The above mentioned consolidated financial statements will be finalized after the approval of the General Assembly.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

The financial statements of the Company have been prepared in accordance with the accounting and reporting principles issued by the CMB, namely “CMB Financial Reporting Standards”. CMB regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with Communiqué XI, No. 29, “Principles of Financial Reporting in Capital Markets”. The Communiqué is effective for the annual periods starting from 1 January 2008. According to the Communiqué, the entities shall prepare their financial statements in accordance with the International Financial Reporting Standards (“IAS” / “IFRS”) endorsed by the European Union (“EU”). Until the differences of the IAS / IFRS as endorsed by EU from the ones issued by the International Accounting Standards Board (“IASB”) are announced by the Turkish Accounting Standards Board (“TASB”), IAS / IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards / Turkish Financial Reporting Standards (“TAS” / “TFRS”) issued by the TASB which are in line with the aforementioned standards shall be considered.

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for the companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards. Accordingly, IAS 29, “Financial Reporting in Hyperinflationary Economies” issued by the IASB, has not been applied in the financial statements for the accounting year commencing from 1 January 2005.

As the differences of the IAS / IFRS endorsed by EU from the ones issued by the IASB have not been announced by TASB as of the date of the preparation of these consolidated financial statements, the consolidated financial statements have been prepared within the framework of Communiqué XI, No. 29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS / IFRS. The consolidated financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB with the announcements dated 14 April 2008 and 9 January 2009 including the compulsory disclosures.

2.2. Going Concern

Company prepared financial statements in accordance with the going concern assumption.

2.3. Functional and presentation currency

The accompanying financial statements have been presented in Turkish Lira which is also the functional currency of the Company.

2.4. Offsetting

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

2.5. Comparatives and restatement of prior periods' financial statements

The financial statements of the Company include comparative financial information to enable the determination of the balance sheet and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current year consolidated financial statements and the significant changes are explained.

Derivative financial instruments of TL 5.909 which was accounted under "Provision expenses" in 31.12.2010, is reclassified as "Derivative financial instrument" in the accompanying financial statements.

2.6. Restatement and Errors in the Accounting Policies and Estimates

Material changes in accounting policies or material errors are corrected, retrospectively; by restating the prior periods' consolidated financial statements. The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods.

2.7. Critical accounting estimates, assumptions and judgments

The preparation of financial statements requires management to make estimates and assumptions that may affect the amount of assets and liabilities recognized as of the balance sheet date, explanations for the contingent assets and liabilities and the amounts of revenues and expenses realized in the reporting period. Actual results may differ from these estimates. The estimates are reviewed on an ongoing basis, revisions to accounting estimates are recognized in the period in which the revision is made.

The estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities within the following financial reporting periods are set out below:

- Physical inventory verifications are performed periodically and allowance for diminution in value is provided for items which are determined to be unsellable by the technical personnel. 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. Net realizable value of the inventory is determined based on the estimated selling prices, and estimated expenses to be incurred to make the sale. When the net realizable value of inventory is less than its cost, the inventory is written-down to the net realizable value and the expense is included in the statement of income in the period the write-down occurred (note 10).
- In accordance with the accounting policies stated in note 2.8, property, plant and equipment and intangible assets are carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of assets over their useful lives, using the straight line method. The estimated useful lives are reviewed at each balance sheet date with the effect of any changes in the estimate accounted for on a prospective basis.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

2.8. Summary of significant accounting policies

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

Revenue

Revenues are recognized on an accrual basis at the fair values incurred when the goods are delivered, the risk and rewards of the goods are transferred, when the amount of revenue can be reliably measured and it is probable that the future economic benefits associated with the transaction will flow to the entity. Net sales represent the fair value of the goods shipped less actual and estimated sales discounts and returns.

Trade receivables / payables

Trade receivables that are created by the Company by way of providing goods or services to a debtor are carried at amortized cost using the effective interest rate method. Receivables with short term maturities which have no predefined interest rate are measured at the original invoice amount unless the effect of imputed interest is significant.

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the collection amount is decreased from the doubtful receivable provisions and recorded as other income.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs elements included in inventories are materials, direct labour costs and factory overheads. Cost is determined on the weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business less the costs of completion and estimated costs to make the sale.

Foreign currency translations

Transactions in currencies TL are recorded at the exchange rates prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing on the balance sheet date. Exchange gains or losses arising from translation of foreign currency transactions and monetary items are recognized in profit or loss in the period in which they arise.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses. Depreciation is provided on related amounts of property, plant and equipment using the straight-line method based on the estimated useful lives of the assets, except for land due to their indefinite useful lives.

The useful lives of property, plant and equipment are as follows:

	Yearly
• Land improvements	8 - 25
• Buildings	25 - 50
• Leasehold improvements	5
• Leasehold improvements	5 - 20
• Motor vehicles	5
• Furniture and fittings	5 - 10

The Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognised in the income statement whenever the carrying amount of the asset exceeds its recoverable amount. Recoverable amount is the higher of an asset's net selling price and its value in use.

Gains or losses on disposals of property, plant and equipment are included in the other income or expense accounts as appropriate.

Intangible assets

Rights

Rights consist of acquired computer software, computer software development costs and other identifiable rights. Rights are recognised at their acquisition costs and are amortized on a straight line basis over their expected useful lives which are less than 5 years.

Research and development costs

Research costs are recognized as expense in the period in which they are incurred.

Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when it is probable that they will generate future economic benefits and are amortized on a straight line basis over their useful lives, which is two to eight years.

The carrying amounts of capitalized research and development costs are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable and an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount.

VESTEL BEYAZ EŐYA SANAYİ VE TİCARET ANONİM ŐİRKETİ
NOTES TO FINANCIAL STATEMENTS
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(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

Other intangible assets

Other intangible assets are recognised at their acquisition costs and are amortized on a straight line basis over their expected useful lives which are two to ten years.

Impairment of assets

Impairment loss is recognized in the income statement whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use refers the discounted present value of the future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life..

Borrowing costs

Borrowing cost 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. Capitalization of borrowing costs is ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognized in the profit or loss in the period in which they are incurred.

Derivative financial instruments

The derivative financial instruments of the Company consist of forward foreign exchange contracts.

These derivative instruments, although providing effective economic hedges for the Company, do not qualify for hedge accounting under the requirements of IAS 39-“Financial Instruments: Recognition and Measurement”, and therefore are accounted for as derivative financial instruments held for trading in the consolidated financial statements.

Derivative financial instruments are initially recognized at cost and subsequently measured at their fair value and changes therein are recognized in profit or loss. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Earnings per share

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

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. Provisions are reviewed at each balance sheet date and revisions to accounting estimates are recognized in the period in which re revision is made.

Warranty provision

Provision is estimated based on statistical information for possible future warranty services and returns of products with respect to the products sold during the period.

VESTEL BEYAZ EŐYA SANAYİ VE TİCARET ANONİM ŐİRKETİ
NOTES TO FINANCIAL STATEMENTS
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(All amounts in thousands Turkish Lira ("TL") unless otherwise indicated.)

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in the consolidated balance sheet and are disclosed as contingent assets or liabilities. If a reliable estimate can be made for the part of the obligation for which out flow of resources is probable, this part is recognized as liability and expense. If it has become virtually certain that an inflow of economic benefits will arise, the related income is recognized in the financial statements.

Leases – The Group as a lessee

Finance lease

Assets acquired under finance lease agreements are capitalised at the inception of the lease at the fair value of the leased asset or at the present value of the lease payment, whichever is the lower. Lease payments are treated as comprising of capital and interest elements; the capital element is treated as reducing the capitalized obligation under the lease and the interest element is charged to the statement of income. The property, plant and equipment acquired under finance leases are depreciated over the estimated useful life of the asset.

Operating lease

Leases in which all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating lease are recognized as an expense on a straight-line basis over the lease term.

Related parties

For the purpose of these financial statements shareholders, key management personnel and Board members, in each case together with their families and companies controlled by or affiliated with them, associated companies and other companies within Zorlu Holding group are considered and referred to as related parties.

Segment reporting

The Company mainly produces and sells white goods. The Company's industrial and geographical segmental information are disclosed in note 3.

Government incentives and subsidies

Government grants are recognised at their fair value when there is a reasonable assurance that the grant will be received and the company will comply with all the necessary conditions.

Liabilities to governmental departments which may be forgone are accepted as government incentives when there is reasonable assurance that the Company will comply with all the requirements related to that liability.

VESTEL BEYAZ EŐYA SANAYİ VE TİCARET ANONİM ŐİRKETİ
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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

Employment termination benefits

Under Turkish labour law, the Company and its Turkish subsidiaries are 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 or is called up for military service or dies. The amount payable consists of one months' salary limited to the declared maximum amount prevailing as at the balance sheet date. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees.

Income taxes

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are not taxable or deductible.

Income tax payable represents the sum of the tax currently payable and deferred tax.

Deferred income tax is provided, using the liability method. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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 recovered.

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

Cash flow statement

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand; deposits with banks and other financial institutions with the original maturity of three months or less.

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2.9. The new and amended International Financial Reporting Standards (IFRS)

The Group has adopted the new and amended IFRSs and International Financial Reporting Committee (IFRIC) interpretations effective from the financial periods beginning on 1 January 2011 which are related to its operations.

2.9.1 Standards, amendments and interpretations effective in 2011:

- IFRIC 19 “Extinguishing financial liabilities with equity instruments”
- IFRIC 14 “IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”
- IAS 32 (Amendment) “Classification of right issues”
- IAS 24 (Revised) “Related party disclosure”
- Annual Amendments to IFRS in May 2010

2.9.2 Standards, amendments and interpretations in issue but not yet effective and not early adopted by the Group:

- IFRS 9 “Financial Instruments- Phase1 Classification and measurement”
- IAS 12 (Amendment) “Income Taxes- Deferred tax: recovery of underlying assets”
- IFRS 7 (Amendment) “Financial Instruments-Disclosures”
- IFRS 10 “Consolidated Financial Statements”
- IFRS 11 “Joint arrangements”
- IFRS 12 “Disclosure of Interest in Other Entities”
- IFRS 13 “Fair Value Measurement”
- IAS 27 (Revised) “Separate Financial Statements”
- IAS 28 (Revised) “Investments in Associates and Joint Ventures”
- IAS 19 (Revised) “Employee Benefits”
- IAS 1 (Revised) “Presentation of Financial Statements”
- IAS 32 (Revised) “Financial Instruments: Presentation- Offsetting of financial assets and financial liabilities”

The management shall consider the potential impact of the adoption of new and revised standards and interpretations stated in 2.9.2 within the period beginning on 01.01.2012. The management does not anticipate that these amendments will have a significant effect on the Company’s financial statements.

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2.10. Additional paragraph for convenience translation into English of consolidated financial statements originally issued in Turkish

The financial reporting standards described in note 2 (defined as “CMB Financial Reporting Standards”) to the consolidated financial statements differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting, presentation of the basic financial statements and also for certain disclosure requirements of CMB. Accordingly, the accompanying financial statements are not intended to present the financial position, financial performance and cash flows of the Company in accordance with IFRS.

NOTE 3 - SEGMENT INFORMATION

The Management has decided that the industrial segments are the primary the reporting segments considering that the risks and returns of the Company are affected by developments in the white goods sector. The Management believes that the Company operates in a single industry sector as the risks and returns for the activities do not show any material difference because the scope of activity covers only the production of white goods and the production processes and classes of customers are similar. As a result all information related to the primary reporting segment has been fully presented in the attached financial statements

The Management has decided that the geographical segments are the secondary reporting segments considering that risks and returns are affected by the differences in each region.

Geographical segments	01.01.- 31.12.2011	01.01.- 31.12.2010
Turkey	709.582	460.771
Europe	956.043	740.823
Other	309.226	227.079
Gross sales	1.974.851	1.428.673
Sales discount (-)	(1.682)	(4.417)
Net sales	1.973.169	1.424.256

The amount of export is TL 1.265.269 for the period ended 31.12.2011. Export sales are denominated in EURO, USD and CHF as 94,9% ,4,8% and 0,3% of total export respectively.

The carrying value of segment assets and costs incurred in order to obtain these assets are not separately disclosed since all assets of the company are located in Turkey.

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NOTE 4- CASH AND CASH EQUIVALENTS

	31.12.2011	31.12.2010
Cash	35	57
Bank deposits		
- Demand deposit	1.558	14.076
- Time deposit	5.728	5.419
	7.321	19.552
Bank overdrafts (-)	(105)	--
Cash and cash equivalents presented in cash flow statement	7.216	19.552

As of balance sheet dates, the maturity date of time deposit account was January 2012 (31.12.2010: January 2011) and the interest rates are given below:

- TL	9,5%	8,7%
- USD	1,5%	--
- EUR	1,5%	0,5% - 2,5%

NOTE 5 – FINANCIAL INVESTMENTS

Short term financial investments

Financial assets held for trading	--	14.947
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NOTE 6 – FINANCIAL LIABILITIES

	31.12.2011	31.12.2010
Current financial liabilities		
Bank borrowings		
- TL	16.249	30.228
- USD	63.620	--
- EUR	107.998	49.757
	187.867	79.985
Non-current financial liabilities		
Bank borrowings		
- USD	7.623	--
- EUR	28.729	66.996
	36.352	66.996
Maturity schedule of Company's total current and non-current financial liabilities is as follows:		
Due in one year	187.867	79.985
One to two years	21.187	54.452
Two to three years	5.792	4.757
Three to four years	5.543	4.592
Four to five years	3.645	3.040
Over five years	185	155
	224.219	146.981

The Company obtained various loans denominated in EUR from non-Turkish financial institutions with a maturity of 5 years in years between 2003-2008 for financing investments in production machinery and equipment. As of 31.12.2011, short term payable of these loans amount to TL 9.704 (2010: TL 14.665) and long term payable amount to TL 15.165 (2010: TL 20.472). The principal amounts of these loans are repayable at six months intervals and the last repayment date is December 2015. The annual interest rate is between Euribor + 0,3% and 0,75%.

As of 31.12.2011, The Company also obtained various Turkish Lira and foreign currency bank loans for operational purposes which amounts to a short term payable of TL 171.062 (TL 9.147, EUR 40.222 thousand, USD 33.681 thousand), (31.12.2010: TL 65.321 (TL 30.228, EUR 17.126 thousand)) and long term payable of

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TL 21.1877 (EUR 5.500 thousand and USD 4.036 thousand), (31.12.2010: TL 46.524, (EUR 22.705 thousand)). The annual interest rate is 9,7 % for TL ,2,07 % - 4,77 % for EUR and 2,27%-4,77 for USD.

The interest rate of the bank loans amounting to 7.101 TL, obtained from Eximbank by Vestel Dış Ticaret A.Ş., a subsidiary of Vestel Elektronik Sanayi ve Ticaret A.Ş., and transferred to the Company, is 6,75%. The repayment dates of the loans are on 10.01.2012 and 17.02.2012.

Company has given various letters of guarantees to financial institutions for obtained bank loans (note 14).

NOTE 7 – DERIVATIVE FINANCIAL INSTRUMENTS

	31.12.2011			31.12.2010		
	Contract Amount	Fair Value		Contract Amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
Held for trading						
Forward foreign exchange contracts	500.062	12.557	--	232.501	--	5.909

NOTE 8 – TRADE RECEIVABLES AND PAYABLES

	31.12.2011	31.12.2010
Current trade receivables		
Trade receivables		
- Related parties (note 26)	606.573	299.781
- Other	4.037	1.641
Notes receivables		
- Related parties (note 26)	--	141.423
- Other	--	3.874
	610.610	446.719
Unearned interest on receivables (-)		
- Related parties (note 26)	(4.966)	(2.546)
- Other	(39)	(69)
Allowance for doubtful receivables (-)	(38)	(38)
	605.567	444.066

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Movement of doubtful receivables is given below:

	01.01.- 31.12.2011	01.01.- 31.12.2010
Opening balance, 01 January	38	38
Charge for the year	--	--
Closing balance, 31 December	38	38

	31.12.2011	31.12.2010
Current trade payables		
Trade payables		
- Related parties, note 26	18.297	3.791
- Third parties	425.175	268.281
	443.472	272.072
Unearned interest on payables (-)		
- Related parties, note 26	(19)	(8)
- Third parties	(1.215)	(1.080)
	442.238	270.984

NOTE 9 – OTHER RECEIVABLES

Other current receivables		
VAT receivable	33.332	24.401
Deposits and guarantees given	582	121
Due from personnel	75	86
	33.989	24.608

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NOTE 10 –INVENTORIES

	31.12.2011	31.12.2010
Raw materials	160.766	110.798
Work in process	5.881	5.038
Finished goods	62.985	46.074
Merchandise	1.717	611
Other inventories	1.639	122
	232.988	162.643
Provision for diminution in value (-)	(3.210)	(598)
	229.778	162.045

Provision for diminution in value of inventories is as follows:

Raw materials	1.508	440
Finished goods	1.702	158
	3.210	598

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

	01.01.- 31.12.2011	01.01.- 31.12.2010
Opening balance, 01 January	598	2.406
Charge for the year	2.612	--
Disposal of impaired stocks during the year	--	(1.808)
Closing balance, 31 December	3.210	598

As of 31.12.2011, inventory was insured for TL 285.335 (2010: TL 183.201).

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NOTE 11 –PROPERTY, PLANT AND EQUIPMENT

	01.01.2011	Additions	Disposals	Transfers	31.12.2011
Cost					
Land	6.547	--	--	--	6.547
Land improvements	2.627	33	--	--	2.660
Buildings	61.558	266	--	316	62.140
Leasehold improvements	1.780	279	--	87	2.146
Machinery and equipment	461.748	3.278	(4.400)	38.781	499.407
Motor vehicles	335	--	(123)	--	212
Furniture and fixtures	19.784	3.296	(71)	2.408	25.417
Construction in progress	15.690	63.826	--	(41.592)	37.924
	570.069	70.978	(4.594)	--	636.453
Accumulated depreciation					
Land improvements	1.549	159	--	--	1.708
Buildings	20.113	2.367	--	--	22.480
Leasehold improvements	1.521	50	--	--	1.571
Machinery and equipment	260.558	46.182	(3.135)	--	303.605
Motor vehicles	218	25	(39)	--	204
Furniture and fixtures	13.328	2.576	(68)	--	15.836
	297.287	51.359	(3.242)	--	345.404
Net book value	272.782				291.049

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	01.01.2010	Additions	Disposals	Transfers	31.12.2010
Cost					
Land	6.547	--	--	--	6.547
Land improvements	2.606	21	--	--	2.627
Buildings	61.340	213	--	5	61.558
Leasehold improvements	1.570	168	--	42	1.780
Machinery and equipment	455.492	1.777	(12.777)	17.256	461.748
Motor vehicles	292	43	--	--	335
Furniture and fixtures	17.404	1.825	(314)	869	19.784
Construction in progress	3.584	30.278	--	(18.172)	15.690
	548.835	34.325	(13.091)	--	570.069
Accumulated depreciation					
Land improvements	1.397	152	--	--	1.549
Buildings	17.785	2.328	--	--	20.113
Leasehold improvements	1.225	296	--	--	1.521
Machinery and equipment	229.942	42.983	(12.367)	--	260.558
Motor vehicles	179	39	--	--	218
Furniture and fixtures	11.229	2.381	(282)	--	13.328
	261.757	48.179	(12.649)	--	297.287
Net book value	287.078				272.782

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 first and second refrigerator, washing machine, cooker and dishwasher factories.

Leased assets included in the table above comprise plant and machinery amounting to TL 5.205 net of accumulated depreciation. (2010: TL 9.862).

As of 31.12.2011, property, plant and equipment were insured for TL 914.212 (2010: TL 705.580).

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NOTE 12 –INTANGIBLE ASSETS

	01.01.2011	Additions	Disposals	31.12.2011
Cost				
Rights	6.351	44	--	6.395
Development cost	38.749	15.563	(632)	53.680
Other intangible assets	2.287	930	--	3.217
	47.387	16.537	(632)	63.292
Accumulated amortization				
Rights	6.338	1	--	6.339
Development cost	17.531	3.359	--	20.890
Other intangible assets	1.420	367	--	1.787
	25.289	3.727	--	29.016
Net book value	22.098			34.276
	01.01.2010	Additions	Disposals	31.12.2010
Cost				
Rights	6.349	2	--	6.351
Development cost	28.136	12.035	(1.422)	38.749
Other intangible assets	1.619	668	--	2.287
	36.104	12.705	(1.422)	47.387
Accumulated amortization				
Rights	6.336	2	--	6.338
Development cost	14.258	3.452	(179)	17.531
Other intangible assets	1.122	298	--	1.420
	21.716	3.752	(179)	25.289
Net book value	14.388			22.098

Development costs, incurred by the Company on development projects relating to refrigerators, split air conditioners, washing machines, cookers and dish washers are capitalized as intangible assets when it is probable that costs will be recovered through future commercial activity and only if the cost can be measured reliably.

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NOTE 13 – GOVERNMENT GRANTS

There are investment incentive certificates to which the Company has been entitled by the official authorities in connection with certain capital expenditures.

Date	No	Subject	Commencing date	Final date	Total investment in TL
15.04.2010	C 94275	B. Y. S. Manufacture of household appliances	28.09.2009	28.09.2013	163.152

The grants obtained by the company from above mentioned incentives are as follows:

- a) 100% exemption from customs duty on machinery and equipment to be imported
- b) Value-added tax exemption with respect to purchases of investment goods both from domestic and export markets
- c) Discounted corporate tax incentive
- d) Insurance premium employer share incentive

However, the grants obtained by the company from the government are as follow:

- a) Incentives under the jurisdiction of the research and development law
- b) Inward processing permission certificates
- c) Cash refund from Tübitak - Teydeb for research and development expenses

Research and development incentive premium from Tubitak-Teydep amounts to TL 889 for the year ended 31.12.2011. (31.12.2010: TL 831)

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NOTE 14 – PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

a) Provision for expenses

	31.12.2011	31.12.2010
Current		
Warranty provision	19.627	7.861
Provision for legal claims	556	453
	20.183	8.314

Movement of provision for expenses is as follows:

	Warranty provision	Legal claims	Total
Opening balance, 01.01	7.861	453	8.314
Addition	14.738	103	14.841
Disposals(-)	(2.972)	--	(2.972)
Closing balance, 31.12	19.627	556	20.183

b) Contingent asset

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

	31.12.2011	31.12.2010
Letters of guarantee	2.563	2.154
Cheques and notes	8.948	6.769
Guarantees received from related companies	1.322.577	355.232
Guarantees received from third companies	--	28.687

- Vestel Elektronik Sanayi ve Ticaret A.Ş. has given guarantee to Royal Bank of Scotland PLC and HSBC Bank A.S. in favour of the Company for forward contracts and loans obtained.

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c) Commitments and contingencies

Collaterals, Pledges, Mortgages ("CPM") given by the Company are as follows:

CPM's given by the Company	USD ('000)	EUR ('000)	TL ('000)	Total TL Equivalent
31.12.2011				
A. On behalf of its own legal entity	--	2.000	5.194	10.082
B. On behalf of fully consolidated subsidiaries	--	--	--	--
C. CPM's given on behalf of third parties for ordinary course of business	--	--	--	--
D. Other contingent liabilities	1.163.924	80.066	348.549	2.742.750
i. Total amount of CPM's given on behalf of the parent company	1.108.132	14.686	132.493	2.261.533
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	55.792	65.380	216.056	481.217
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	--	--	--	--
Total	1.163.924	82.066	353.743	2.752.832

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CPM's given by the Company	USD	EUR	TL	Total
	('000)	('000)	('000)	TL
				Equivalent
31.12.2010				
A. On behalf of its own legal entity	--	2.000	2.969	7.067
B. On behalf of fully consolidated subsidiaries	--	--	--	--
C. CPM's given on behalf of third parties for ordinary course of business	--	--	--	--
D. Other contingent liabilities	1.033.500	122.700	215.500	2.064.716
i. Total amount of CPM's given on behalf of the parent company	958.000	50.000	13.000	1.596.523
ii. Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C.	75.500	72.700	202.500	468.193
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C.	--	--	--	--
Total	1.033.500	124.700	218.469	2.071.783

As of 31.12.2011, the Company's CPM to equity ratio is 538% (2010: 404%).

The Company has given various guarantees to group companies for financial institutions.

- The Company has given guarantee to Türkiye Garanti Bankası A.Ş. in favour of Vestel Elektronik Sanayi ve Ticaret A.Ş. for forward contracts.
- The Company is the guarantor for the bank loans which have been obtained by Vestel CIS ltd and OOO Vestel Trade from Citibank.
- The Company has given guarantee to Royal Bank of Scotland PLC in favour of Vestel Germany GMBH, Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş. and Vestel Elektronik Sanayi ve Ticaret A.Ş. for forward contracts.
- The Company has given guarantee to HSBC Bank A.Ş. in favour of Vestel Pazarlama and Vestel Elektronik Sanayi ve Ticaret A.Ş. for forward contracts.
- Due to the export and investment incentive certificates obtained for tax purposes, the Company has committed to realize exports amounting to USD 102.598 thousand (2010: USD 91.036 thousand) as of 31.12.2011.
- 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 31.12.2011, the amount of VAT is TL 39.112 (2010: TL 29.180).

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- The ongoing consumer lawsuits against the Company amount to TL 226 (2010: TL 144) and the lawsuits which have been finalized in favour of the Company amount to TL 252 (2010: TL 1.025).
- As of the balance sheet dates operational lease commitments are as follows:

	31.12.2011	31.12.2010
Less than one year	186	6
More than one year and less than four years	194	79
	380	85

d) Derivatives

As of 31.12.2011, the Company has entered in forward exchange contracts amounting to USD 129.406 thousand, EUR 62.479 thousand and TL 115.741, CHF 146, on a fixed amount USD25.300 thousand, TL 106.712, CHF 1,605 thousand, EUR 140.086 thousand.

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NOTE 15 –PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

	31.12.2011	31.12.2010
Provision for employment termination benefits	9.461	7.231

Under Turkish law, the Company is required to pay employment termination benefits to each employee whose employment is terminated without due caus. In addition, under the existing Social Security Law No.506, clause No. 60, amended by the Labour Laws dated 06.03.1981, No.2422 and 25.08.1999, No.4447, the Company is also required to pay termination benefits to each employee who has earned the right to retire by receiving termination indemnities.

The amount payable is the equivalent of one month's salary for each year of service limited to a maximum of TL 2.731,85 as of 2011 (2010: TL 2.517,01).

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

The provision is calculated by estimating the present value of the future obligation of the company arising from retirement of employees. Turkish Accounting Standards No: 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined employee plans. Accordingly actuarial assumptions were used in the calculation of the total liability which are described below:

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. An expected inflation rate and appropriate discount rate should both be determined, the net of these being real discount rate. Consequently in the accompanying financial statements as at 31 December 2011 the provision is calculated by estimating the present value of the future obligation of the company arising from retirement of employees. As of 31.12.2011 the liability for employment termination benefits was calculated based on an annual real discount rate of 4,05% (31.12.2010: 4,66%) assuming an annual inflation rate of 5,0% and discount rate of 9,25%.

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

	01.01.- 31.12.2011	01.01.- 31.12.2010
Opening balance as of 1 January	7.231	4.150
Charge for the year	4.560	4.063
Disposals	(2.330)	(982)
Ending balance, 31 December	9.461	7.231

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NOTE 16 – OTHER ASSETS AND LIABILITIES

	31.12.2011	31.12.2010
Other short term current assets		
Prepaid expenses	1.775	1.664
Prepaid taxes	2.642	1.188
Order advances given	42	634
Other	12	20
	4.471	3.506
Other short term current liabilities		
Taxes and dues payable	4.263	2.806
Social security premiums payable	2.361	1.947
Due to personnel	2.793	2.634
Other	18	14
	9.435	7.401

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NOTE 17 – SHARE CAPITAL

a) Paid in capital

	31.12.2011	31.12.2010
Shares of par value TL 1 each		
Issued share capital	190.000	190.000

As of 31.12.2011, the composition of shareholders and their respective percentage ownership are summarized as follows:

	Shareholding percentage %	Shareholding amount
Vestel Elektronik Sanayi ve Ticaret A.Ş. (Includes of the board of directors.)	%72,6	138.000
Shares open to the public (ISE)	%27,4	52.000
Paid in capital	%100,0	190.000

b) Adjustments to share capital (“inflation adjustment of share capital)

Adjustment to share capital (restated to 31.12.2004 purchasing power of money) is the difference between restated share capital and historical share capital.

Adjustment to share capital	9.734	9.734
-----------------------------	--------------	--------------

c) Share premium

The share premium account refers the difference between the per value of the company’s shares and the amount the company received for newly issued shares. The share premium accounts are disclosed under equity as a separate line item and cannot be distributed. It can be used in capital increase.

Share premium	109.031	109.031
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d) Restricted reserve ("Legal reserve")

The legal reserves consist of first and second legal reserves appropriated in accordance with the Turkish Commercial Code ("TCC"). The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital. Under TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid in share capital.

Legal reserves	37.921	35.067
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e) Retained earnings

	31.12.2011	31.12.2010
Extraordinary reserves	104.122	98.097
Previous years loss	38.758	44.783
Other inflation adjustment differences	36	36
	142.916	142.916

Other inflation adjustment of share capital can be used in free capital increase, and loss deduction. Carrying value of extra ordinary reserves can be used in free capital increase, loss deduction and cash profit distribiton.

NOTE 18 – REVENUE AND COST OF SALES

	01.01.- 31.12.2011	01.01.- 31.12.2010
a) Revenue		
Domestic sales	709.582	460.771
Overseas sales	1.265.269	967.902
	1.974.851	1.428.673
Sales discounts (-)	(1.682)	(4.417)
	1.973.169	1.424.256

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b) Cost of sales	01.01.- 31.12.2011	01.01.- 31.12.2010
Direct materials used	1.619.039	1.163.446
Direct labour	78.416	61.369
General overhead	51.309	43.931
Energy expenses	13.321	11.065
Depreciation and amortization	43.722	42.555
Cost of goods produced	1.805.807	1.322.366
Changes in semi-finished goods		
Opening inventory	5.038	4.554
Closing inventory	(5.881)	(5.038)
Changes in finished goods		
Opening inventory	46.074	41.510
Closing inventory	(62.985)	(46.074)
Cost of goods sold	1.788.053	1.317.318
Purchased during the year	1.478	642
Opening merchandise inventory	611	256
Closing merchandise inventory	(1.717)	(611)
Cost of merchandise sold	372	287
Cost of sales	1.788.425	1.317.605

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NOTE 19 – RESEARCH AND DEVELOPMENT EXPENCES, MARKETING SELLING AND DISTRIBUTION EXPENSES, GENERAL AND ADMINISTRATIVE EXPENSES

	01.01.- 31.12.2011	01.01.- 31.12.2010
Marketing and selling expenses	74.438	40.397
General administrative expenses	26.371	22.023
Research and development expenses	25.857	13.742
	126.666	76.162

NOTE 20 –NATURE OF EXPENSES

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

Direct materials and merchandise expenses	1.627.641	1.170.391
Changes in semi-finished goods and finished goods	(17.733)	(5.048)
Personnel cost	109.189	84.440
Depreciation and amortization	55.086	49.876
Energy expenses	15.235	12.486
Outsourcing expenses	3.647	2.315
Travelling expenses	3.079	2.057
Consulting expenses	5.086	3.695
Rent expenses	6.775	7.153
Export expenses	2.125	4.768
Provision expenses	52.834	18.352
Office expenses	3.215	2.929
Insurance expenses	3.291	3.422
Transportation expenses	9.338	6.641
Employment termination benefits	2.330	982
Taxes paid	2.663	2.010
Other	31.290	27.298
	1.915.091	1.393.767

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NOTE 21 – OTHER INCOME AND EXPENSE

a) Other income

	01.01.- 31.12.2011	01.01.- 31.12.2010
Grant income	927	836
Profit on sale of property, plant and equipment	342	238
Income on insurance claims	34	131
Provisions released	--	1.808
Other	1.505	834
	2.808	3.847

b) Other expense

Loss on sale of property, plant and equipment	911	115
Loss on insurance claims	--	43
Idle capacity expenses	--	2.575
Other	121	226
	1.032	2.959

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NOTE 22 – FINANCIAL INCOME

	01.01.- 31.12.2011	01.01.- 31.12.2010
Foreign exchange gains	185.929	63.450
Gains on financial assets held for trading	538	1.043
Unearned interest on payables	3.849	3.188
Interest income from term sales	34	255
Interest income from bank deposits	415	1.274
Gains on forward exchange contracts	59.031	28.509
	249.796	97.719

NOTE 23 – FINANCIAL EXPENSE

Foreign exchange losses	223.015	73.979
Losses on financial assets held for trading	249	537
Unearned interest on receivables	6.093	3.076
Bank loans interest expense	9.392	3.245
Letters of credit expenses	3.446	3.416
Losses on forward exchange contracts	43.643	13.715
Interest expense from term purchases	1.268	1.950
Bank commission expenses	44	43
Other	811	38
	287.961	99.999

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NOTE 24 –TAXES ON INCOME

a) Current tax

	01.01.- 31.12.2011	01.01.- 31.12.2010
Profit before tax	21.689	29.097
Tax calculated at a tax rate of 20%	4.338	5.819
Depreciation and amortization	53	153
Other provisions	(720)	(307)
Disallowable expenses	170	313
Unearned interest on receivables and payables	449	(23)
Income from investments	--	(8)
The advantages of reduced Corporation tax	(130)	(130)
Research and development allowances	(2.616)	(1.978)
	1.544	3.839

The Company's taxation on income is as follows:

Current tax expense	2.597	6.604
Deferred tax benefit	(1.053)	(2.765)
Taxation on income	1.544	3.839

In Turkey, beginning from 1 January 2006, the corporate tax rate is 20%.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses and by deducting other exempt income. In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed at the rate of % 15, except for companies receiving dividends who are resident companies in Turkey. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

In Turkey, advance tax returns are filed on a quarterly basis at the rate of %20, until the 10th day of the following month and paid until the 17th day. Advance tax returns files within the year are offset against corporate income tax calculated over the annual taxable corporate income.

According to the Corporate Tax Law, 75% of the capital gains arising from the sale of tangible assets and investments in equity shares owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in the equity with the intention to be utilized in a share capital increase within five years from the date of the sale.

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Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back.

There is no procedure for a final and definitive agreement on tax assessments. Tax returns are filed between 1-25 April following the close of the accounting year to which they relate. Tax authorities may however examine such returns and the underlying accounting records and may revise assessment within five years.

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

	31.12.2011	31.12.2010
Corporate tax provision	2.597	6.604
Prepaid taxes (-)	(2.597)	(6.604)
Current income tax liabilities	--	--
Deferred tax assets, net	3.725	4.778
	3.725	4.778

b) Deferred tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences between its financial statements as reported according to CMB Financial Reporting Standards (communiqué XI, No: 29) and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for CMB Financial Reporting Standards and tax purposes.

In the calculation of the deferred tax assets and liabilities based on the liability method, the tax rate of 20% is used

The composition of cumulative temporary differences and the related deferred tax assets/liabilities in respect of items for which deferred tax has been provided at the balance sheet dates using the expected future tax rates were as follows:

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	Cumulative temporary difference		Deferred tax	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Deferred tax asset				
Employment termination benefits	9.461	7.231	1.892	1.446
Warranty provision	19.627	7.861	3.925	1.572
Unearned interest on receivables	5.005	2.615	1.001	523
Provision for financial assets held for trading	--	537	--	107
Derivative financial instruments	--	5.909	--	1.182
Provision for diminution in value of inventories	3.210	598	642	120
Other	2.241	1.718	448	345
			7.908	5.295
Deferred tax liability				
Restatement of property, plant and equipment and intangible assets	44.380	49.277	8.876	9.855
Unearned interest on payables	1.229	1.093	246	218
Derivative financial instruments	12.557	--	2.511	--
			11.633	10.073

A reconciliation of the deferred tax expense is as follows:

	01.01.- 31.12.2011	01.01.- 31.12.2010
Opening balance, 01 January	(4.778)	(7.543)
Deferred tax benefit	1.053	2.765
Ending balance, 31 December	(3.725)	(4.778)

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NOTE 25 –EARNING PER SHARE

	01.01.- 31.12.2011	01.01.- 31.12.2010
Net profit attributable to shareholders	20.145	25.258
Weighted average number of ordinary shares in issue	190.000.000	190.000.000
Profit per share – TL, full	0,11	0,13

NOTE 26 –RELATED PARTY DISCLOSURE

a) Trade receivables- current

	31.12.2011	31.12.2010
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	222.562	147.449
Vestel CIS Limited	2.679	9.694
Vestel Dış Ticaret A.Ş.	381.305	284.061
Other related parties	27	--
	606.573	441.204
Unearned interest on receivables (-)	(4.966)	(2.546)
	601.607	438.658

b) Trade payables- current

Vestel Elektronik Sanayi ve Ticaret A.Ş.	4.333	2.991
Vestel Holland B.V.	13.603	637
Other related parties	361	163
	18.297	3.791
Unearned interest on payables (-)	(19)	(8)
	18.278	3.783

The company performs its foreign and domestic sales via Vestel Dış Ticaret A.Ş. and Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş. respectively which are Vestel Group companies.

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c) Short term borrowings

	31.12.2011	31.12.2010
Vestel Dış Ticaret A.Ş.	7.101	--

The interest rate of the bank loans obtained from Eximbank by Vestel Dış Ticaret A.Ş., a subsidiary of Vestel Elektronik Sanayi ve Ticaret A.Ş., and transferred to Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. is 6,75%.The repayment dates of the loans are on 10.01.2012 and 17.02.2012.

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

	01.01.- 31.12.2011	01.01.- 31.12.2010
Sales		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	6.035	13.941
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	455.675	274.715
Vestel Dış Ticaret A.Ş.	1.263.163	962.959
Other	523	331
	1.725.396	1.251.946
Purchases and operating income		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	9.003	6.369
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	41.089	18.467
Vestel Dış Ticaret A.Ş.	4.348	6.797
Other	3.525	1.072
	57.965	32.705
Financial income		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	407	1.409
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	527	362
Vestel Dış Ticaret A.Ş.	139.355	16.461
Other	1.283	1.711
	141.572	19.943

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	01.01.- 31.12.2011	01.01.- 31.12.2010
Financial expenses		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	67	2.105
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	5.856	715
Vestel Dış Ticaret A.Ş.	82.059	24.804
Other	499	1.440
	88.481	29.064

The above mentioned companies are subsidiaries of the Company's shareholder, Vestel Elektronik Sanayi ve Ticaret A.Ş.

e) Key management compensation

Total compensation provided management personnel by the Company during the year ended December 31, 2011 amount to TL 2. 557 (2010: TL 2.143).

f) Guarantees and commitments

The Company had received / given various letter of guarantees for Vestel Elektronik Sanayi ve Ticaret A.Ş. and other subsidiaries. (note 14)

g) Operating lease

As of balance sheet date, the Company has no any operational lease commitments. (31.12.2010: TL 6)

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NOTE 27 –NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Financial asset

Financial instruments and financial risk management

The Company is exposed to a variety of financial risks 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 program focuses on minimizing the potential adverse effects of the unpredictable financial markets on the financial performance of the Company.

Interest rate risk

The Company is subject to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. The exposures are managed by balancing the interest rate sensitive assets and liabilities.

The Company's interest rate position is as follows:

	31.12.2011	31.12.2010
Fixed interest rate financial instruments		
Financial liabilities –time deposits	5.728	5.419
Financial liabilities	199.350	111.844
Variable interest rate financial instruments		
Financial assets	--	--
Financial liabilities	24.869	35.137

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

2011 (%)	USD	EUR	TL
Assets			
Cash and cash equivalents	%1,50	%1,50	%9,49
Trade receivables	%0,81	--	%11,60
Liabilities			
Financial liabilities	%3,53	%2,49	%9,07
Trade payables	%0,39	%1,08	%11,56

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2010 (%)	USD	EUR	TL
Assets			
Cash and cash equivalents	--	1,45%	8,70%
Trade receivables	0,31%	0,61%	6,53%
Liabilities			
Financial liabilities	--	1,89%	7,69%
Trade payables	0,30%	0,80%	6,60%

As of 31.12.2011, if the variable interest rates of bank borrowing increased or decreased of +1% and -1% and if all other variables are held constant the result before tax would have been influenced favorably or unfavorably by TL 448 (2010: TL 170) for an increase and for a decrease in value of TL.

Liquidity risk

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.

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:

31.12.2011	Book value	Total cash out flow	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years
Contractual maturities						
Bank borrowings	224.219	228.034	73.929	116.327	37.573	205
Expected maturities						
Trade payables	442.238	443.472	282.370	161.102	--	--
Other liabilities	29.618	29.618	9.435	20.183	--	--
Non derivative financial liabilities	471.856	473.090	291.805	181.285	--	--

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31.12.2011	Book value	Total cash out flow	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years
Derivative cash inflow	--	512.619	296.263	216.356	--	--
Derivative cash outflow	--	(500.062)	(286.935)	(213.127)	--	--
Derivative financial liabilities	12.557	12.557	9.328	3.229	--	--

31.12.2010	Book value	Total cash out flow	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years
Contractual maturities						
Bank borrowings	146.981	151.347	35.654	45.725	69.797	171
Expected maturities						
Trade payables	270.984	272.072	241.639	30.433	--	--
Other liabilities	21.624	21.624	7.401	14.223	--	--
Non derivative financial liabilities	292.608	293.696	249.040	44.656	--	--

31.12.2010	Book value	Total cash out flow	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years
Derivative cash inflow	--	230.286	47.873	182.413	--	--
Derivative cash outflow	--	(236.195)	(51.936)	(184.259)	--	--
Derivative financial liabilities	(5.909)	(5.909)	(4.063)	(1.846)	--	--

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Foreign currency risk

The net currency position of the Company as of the balance sheet dates are shown below:

31.12.2011	USD	EUR	GBP	CHF	RUR	TL
	('000)	('000)	('000)	('000)	('000)	Equivalent
1. Trade receivables	20.324	136.290	--	161	209.881	383.984
2a. Monetary financial assets	2.330	623	1	--	5.617	6.253
2b. Non-monetary financial assets	--	--	--	--	--	--
3. Other	--	--	--	--	--	--
4. Current assets (1+2+3)	22.654	136.913	1	161	215.498	390.237
5. Trade receivables	--	--	--	--	--	--
6a. Monetary financial assets	--	--	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--	--	--
7. Other	--	--	--	--	--	--
8. Non-current assets (5+6+7)	--	--	--	--	--	--
9. Total assets (4+8)	22.654	136.913	1	161	215.498	390.237
10. Trade payables	127.974	37.148	--	--	--	332.512
11. Financial liabilities	33.681	44.193	--	--	--	171.618
12a. Other monetary liabilities	--	--	--	--	--	--
12b. Other non-monetary liabilities	--	--	--	--	--	--
13. Current liabilities (10+11+12)	161.655	81.341	--	--	--	504.130
14. Trade payables	--	--	--	--	--	--
15. Financial liabilities	4.036	11.756	--	--	--	36.352
16a. Other monetary liabilities	--	--	--	--	--	--
16b. Other non-monetary liabilities	--	--	--	--	--	--
17. Non-current liabilities (14+15+16)	4.036	11.756	--	--	--	36.352
18. Total liabilities (13+17)	165.691	93.097	--	--	--	540.482
19. Off-balance sheet derivative instruments/ net asset (liability) position (19a-19b)	104.106	(77.607)	--	(1.459)	--	4.063
19a. Hedged total assets	129.406	62.479	--	146	--	397.414
19b. Hedged total liabilities	(25.300)	(140.08)	--	(1.605)	--	(393.351)
20. Net foreign currency asset/ (liability) (position (9-18+19))	(38.931)	(33.791)	1	(1.298)	215.498	(146.182)
21. Net foreign currency monetary asset/ (liability) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	(143.037)	43.816	1	161	215.498	(150.245)
22. Fair value of financial instruments used in foreign currency hedging	104.106	(77.607)	--	(1.459)	--	4.063
23. Export	36.389	513.316	--	1.449	45	1.265.269
24. Import	227.793	207.025	48	--	--	857.701

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31.12.2010	USD	EUR	GBP	TL
	('000)	('000)	('000)	Equivalent
1. Trade receivables	21.768	126.785	88	293.659
2a. Monetary financial assets	10.896	8.031	6	33.316
2b. Non-monetary financial assets	--	--	--	--
3. Other	--	--	--	--
4. Current assets (1+2+3)	32.664	134.816	94	326.975
5. Trade receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--
7. Other	--	--	--	--
8. Non-current assets (5+6+7)	--	--	--	--
9. Total assets (4+8)	32.664	134.816	94	326.975
10. Trade payables	74.077	40.931	--	198.395
11. Financial liabilities	--	24.283	--	49.757
12a. Other monetary liabilities	--	--	--	--
12b. Other non-monetary liabilities	--	--	--	--
13. Current liabilities (10+11+12)	74.077	65.214	--	248.152
14. Trade payables	--	--	--	--
15. Financial liabilities	--	32.696	--	66.996
16a. Other monetary liabilities	--	--	--	--
16b. Other non-monetary liabilities	--	--	--	--
17. Non-current liabilities (14+15+16)	--	32.696	--	66.996
18. Total liabilities (13+17)	74.077	97.909	--	315.148
19. Off-balance sheet derivative instruments net asset (liability) position (19a-19b)	27.216	(78.770)	--	(119.332)
19a. Hedged total assets	39.573	18.198	--	98.469
19b. Hedged total liabilities	(12.357)	(96.968)	--	(217.801)
20. Net foreign currency asset / (liability) position (9-18+19)	(14.197)	(41.863)	94	(107.505)
21. Net foreign currency monetary asset / (liability) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	(41.413)	36.907	94	11.827
22. Fair value of financial instruments used in foreign currency hedging	27.216	(78.770)	--	(119.332)
23. Export	29.123	464.474	88	967.902
24. Import	171.004	170.769	42	596.385

In accordance with Turkish financial reporting standards, inventories are accounted for in Turkish Lira even if they obtained are through import, hence are not subject to foreign currency valuation. If the stocks were valued as foreign currency asset, the net open foreign currency position of the Group would have been lower.

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Foreign currency sensitivity analyses are as follows:

	Profit / Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
31.12.2011				
+/- 10% fluctuation of USD rate:				
USD net asset / liability	(27.018)	27.018	(27.018)	27.018
Secured portion from USD risk (-)	19.665	(19.665)	19.665	(19.665)
USD net effect	(7.353)	7.353	(7.353)	7.353
+/- 10% fluctuation of EUR rate:				
EUR net asset/ liability	10.708	(10.708)	10.708	(10.708)
Secured portion from EUR risk (-)	(18.966)	18.966	(18.966)	18.966
EUR net effect	(8.258)	8.258	(8.258)	8.258
+/- 10% fluctuation of CHF rate:				
EUR net asset/ liability	32	(32)	32	(32)
Secured portion from CHF risk (-)	(293)	293	(293)	293
CHFnet effect	(261)	261	(261)	261
+/- 10% fluctuation of RUR rate:				
RUR net asset/ liability	1.253	(1.253)	1.253	(1.253)
Secured portion from RUR risk (-)	--	--	--	--
RUR net effect	1.253	(1.253)	1.253	(1.253)

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	Profit / Loss		Equity	
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
31.12.2010				
+/- 10% fluctuation of USD rate:				
USD net asset / liability	(6.402)	6.402	(6.402)	6.402
Secured portion from USD risk (-)	4.208	(4.208)	4.208	(4.208)
USD net effect	(2.194)	2.194	(2.194)	2.194
+/- 10% fluctuation of EUR rate:				
EUR net asset/ liability	7.563	(7.563)	7.563	(7.563)
Secured portion from EUR risk (-)	(16.141)	16.141	(16.141)	16.141
EUR net effect	(8.578)	8.578	(8.578)	8.578
+/- 10% fluctuation of GBP rate:				
GBP net asset/ liability	22	(22)	22	(22)
Secured portion from GBP risk (-)	--	--	--	--
GBP net effect	22	(22)	22	(22)

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of debt and equity balance.

The Company's management reviews the capital structure considering the cost of capital and the risks associated with each class of capital. Based on recommendations, the Company will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of the existing debt.

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The Company's net debt to overall financing ratios as at the balance sheet dates are follows:

	31.12.2011	31.12.2010
Total liabilities (note 6)	224.219	146.981
Cash and cash equivalents (note 4)	(7.321)	(19.552)
Net debt	216.898	127.429
Equity	509.747	512.006
Total share capital	726.645	639.435
Ratio net debt/equity	%29,8	%19,9

Credit risk

Ownership of financial assets brings with it the risk that the counterparty may not be able to meet its obligations. An important part of the trade receivables are the receivables from the related companies. Local sales are made through Vestel Dayanıklı Tüketim Malları Pazarlama A.S. (Vestel Pazarlama A.S.) and the receivable from this related company is secured by appropriate guarantees from its dealers. Export sales are made through Vestel Dış Ticaret A.S. and the receivable from this related company is under the guarantee of Turkish Eximbank.

As of balance sheet dates, the Company's exposure to credit risk is as summarized below:

	Receivables						
	Trade receivables		Other receivables		Bank amounts	Derivatives	Other
	Related parties	Related parties	Related parties	Third parties			
31.12.2011							
- Secured portion of maximum credit risk with collateral	--	--	--	--	--	--	--
A. Net book value of financial assets that are not overdue and not impaired	598.937	3.625	--	33.989	7.286	--	35
B. Net book value of assets that are overdue but not impaired	2.670	335	--	--	--	--	--
- Secured portion by collateral, etc.	--	--	--	--	--	--	--
C. Net book value of assets that are impaired							
- Overdue (gross carrying amount)	--	38	--	--	--	--	--
- Impairment	--	(38)	--	--	--	--	--
- Carrying amount secured with collateral	--	--	--	--	--	--	--
Maximum exposure to credit risk as of 31.12.2010(A+B+C)	601.607	3.960	--	33.989	7.286	--	35

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	Receivables						
	Trade receivables		Other receivables		Bank amounts	Derivatives	Other
	Related parties	Related parties	Related parties	Third parties			
31.12.2010							
- Secured portion of maximum credit risk with collateral	--	750	--	--	--	--	--
A. Net book value of financial assets that are not overdue and not impaired	428.964	5.216	--	24.608	19.495	--	57
B. Net book value of assets that are overdue but not impaired	9.694	192	--	--	--	--	--
- Secured portion by collateral, etc.	--	750	--	--	--	--	--
C. Net book value of assets that are impaired							
- Overdue (gross carrying amount)	--	38	--	--	--	--	--
- Impairment	--	(38)	--	--	--	--	--
- Carrying amount secured with collateral	--	--	--	--	--	--	--
Maximum exposure to credit risk as of 31.12.2010 (A+B+C)	438.658	5.408	--	24.608	19.495	--	57

Aging of overdue trade receivables is given below:

31.12.2011	Trade receivables	Other receivables
Not more than 30 days	316	--
Within 1 month to 3 months	36	--
Within 3 months to 12 months	10	--
Within 1 year to 5 years	2.643	--
- Carrying amount secured with collateral	--	--
	3.005	--

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31.12.2010	Trade receivables	Other receivables
Not more than 30 days	174	--
Within 1 month to 3 months	9	--
Within 3 months to 12 months	2.334	--
Within 1 year to 5 years	7.369	--
- Carrying amount secured with collateral	--	--
	9.886	--

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 Group using available market information, management's judgment and appropriate valuation methodologies. However judgement is required to interpret market data to estimate the fair value. Accordingly the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

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

Financial assets

The carrying amounts of foreign currency denominated monetary assets which are translated at year end exchange rates are considered to approximate their fair values.

The carrying values of cash and cash equivalents are estimated to be their fair values since they are short term.

The carrying values of trade receivables along with the related allowances for un-collectability are estimated to be their fair values.

The carrying amounts of financial assets are considered to approximate their fair values.

Financial liabilities

The carrying values of trade payables are estimated to be their fair values

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

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NOTE 28 – SUPPLEMENTARY CASH FLOW INFORMATION

	01.01.- 31.12.2011	01.01.- 31.12.2010
Depreciation and amortisation expense,	55.086	51.931
Provision for employment termination benefits	4.560	4.063
Provision for (released from) diminution in value of inventories, net	2.612	(1.808)
Profit / (Loss) on sale of property, plant and equipment, net	569	(123)
Warranty provision	14.738	7.475
Provision for legal claims	103	--
Provision for financial assets available for sale	--	(506)
Forward expense (income) accruals	(12.557)	5.909
Interest income	(415)	(1.274)
Interest expense	9.392	3.245
	74.088	68.912
Trade receivables	(161.501)	(96.626)
Inventories	(70.345)	(29.152)
Other assets	(20.261)	(11.587)
Trade payables	171.254	75.187
Other liabilities	3.113	(2.765)
Payments of employee termination benefits	(2.330)	(982)
	(80.070)	(65.925)
Depreciation expense and amortization charged to:		
Cost of sales	43.722	42.555
Marketing and selling expenses	10.866	119
General and administrative expenses	279	403
Research and development expenses	219	6.799
Other expense – Idle capacity	--	2.055
	55.086	51.931