Vestel White Goods
Annual Report 2010

Contents

Vestel White Goods: The Specialist in Comfortable Living

Thanks to its ability to develop its own technology and designs based on its in-house R&D strengths, Vestel White Goods appeals to a broad range of consumers globally.

Vestel White Goods has attracted a great deal of attention as a rising white goods manufacturer in the Turkish and European markets with the strong growth trend it has been demonstrating since its foundation in 1997.

Vestel White Goods boasts Europe's largest white goods production capacity under a single roof using the most up-to-date technology. The Company continues to produce refrigerators, washing machines, cookers, dishwashers, air-conditioners and water-heaters from its facilities which occupy more than 311,000 m² of enclosed area in Manisa, Western Turkey.

Important competitive advantages such as flexible production capabilities and product differentiation competencies, high capacity and economies of scale, logistical advantages arising from its proximity to European customers and low labor costs all strengthen Vestel White Goods' position as a world-class manufacturer.

Vestel White Goods provides ODM services to European A-brand producers, retail market chains and distributors. As an ODM service provider, Vestel White Goods does not compete directly with its customers' own brands, in line with its corporate strategy.

Vestel White Goods is also strongly positioned in Turkey and in neighboring countries with its wide product range and its own brands.

Thanks to its ability to develop its own technology and designs based on its in-house R&D strengths, Vestel White Goods appeals to a broad range of consumers globally. The Company also works to bring comfort to millions of homes with its growing line of environmentally-friendly product portfolio and diverse model range.

In 2010 Vestel White Goods' revenues increased by 19% YoY reaching Euro 715 million, while exports accounted for 68% of the total sales.

Vestel White Goods by Numbers in 2010

Financial Highlights*

Euro million	2010	2009
Net Sales	715	603
Exports/Sales	68%	72%
Operational Profit	16	79
EBITDA	42	103
Net Profit	13	55
Investments(Net)	22	7
R&D Expenditures (Gross)**/Sales	1.4%	1.1%
Total Assets	473	428
Shareholders' Equity	250	273
Net Debt (Net Cash)	55	-7
EBITDA Margin (%)	5.8%	17.1%

*Based on financial statements prepared in accordance with the CMB ** Excluding amortization

Vestel White Goods Shares

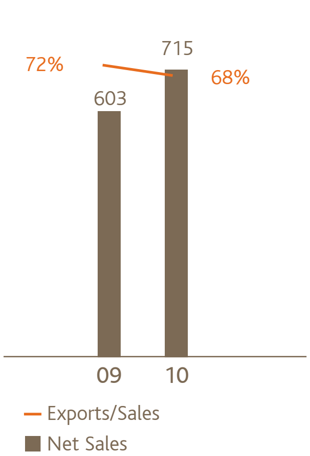
Price Information in Brief	USD 2010
Number of Shares	190,000,000
Publicly held	59,800,000
High	2.93
Low	1.80
Year-end	2.22
Average Annual Trading Volume	5,742,636
Market Capitalization	422,606,660

ISTANBUL STOCK EXCHANGE

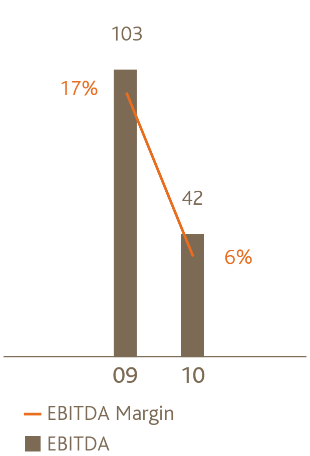
31.5% of shares of Vestel Beyaz Eşya A.Ş. (Vestel White Goods), a subsidiary of Vestel Elektronik Sanayi ve Ticaret A.Ş. (Vestel Electronics), have been trading on the Istanbul Stock Exchange under the VESBE ticker since 2006.

At the end of 2010, Vestel White Goods' shares were included in the ISE-100, ISE All Shares, ISE Industrials, and ISE Metal Products indices.

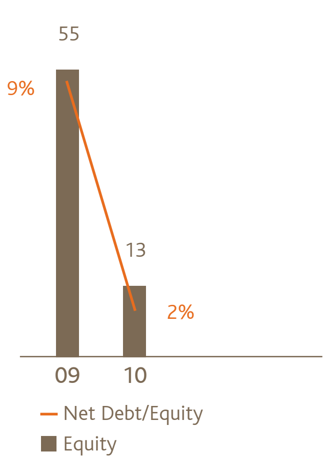
Net Sales and Exports' Share (Euro million)



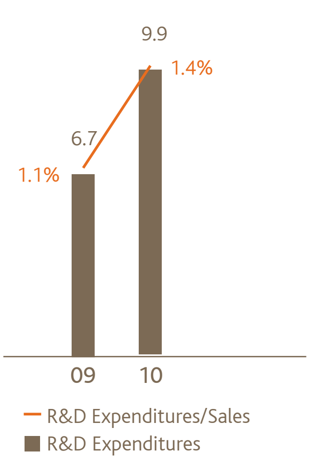
EBITDA and EBITDA Margin (Euro million)



Net Debt/Equity (Euro million)



R&D Expenditures/Sales (Euro million)



68%

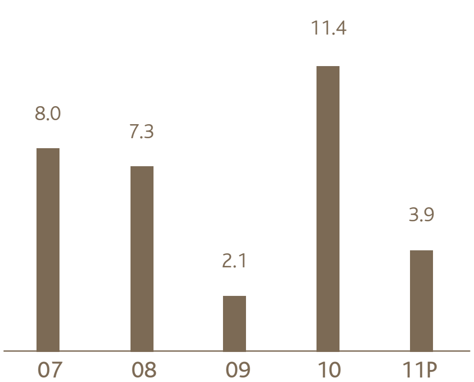
exports/sales

euro 715 million revenues

Dividend Table

	2007	2008	2009	2010	2011P
Paid-in Capital (TL)	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000
Cash Dividend (TL)	30,736,268	51,500,861	5,798,470	102,403,737	22,403,545
Dividend Ratio (%)	16.18	27.11	3.05	53.90	11.79
Gross Dividend per Share with a Nominal Value TL 1 (TL)	0.1618	0.2711	0.0305	0.5390	0.1179

Dividend Return (%)



P: Projected

Dividend Distribution Policy

In line with the dividend distribution policy decision which was taken by the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. (Vestel White Goods) in the meeting numbered 2007/8, held at the headquarters on March 19th, 2007, a dividend minimum at the rate of 25% of the distributable net income, including the profit from 2007, shall be distributed to shareholders in cash or in the form of stock. Each year, the Board of Directors shall submit a proposal in the AGM relating to the amount of the dividend which is to be assessed by considering the national and global economic conditions and the Company's growth plan.

Vestel White Goods Dividend Proposal for the Accounting Period 01.01.2010 – 31.12.2010

The Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi convened at the Company's head office as presided over by Mr. Ahmet Nazif Zorlu. The items on the agenda were discussed and the following resolution was passed.

It was resolved with the consensus of the members of the board in attendance at the meeting to submit the following proposal to the general assembly of shareholders that will be held on May 26th 2011: "A gross cash dividend of TL 22,403,545.00 shall be paid out in proportion to the Company's paid in capital. This gross dividend, which represents 11.79% of the Company's paid in capital during the January to December 2010 period, is the amount remaining after statutory reserves have been deducted from the profit for the period as shown in the financial statements prepared in accordance with the Capital Market Board's "Communiqué on Principles Regarding Financial Reporting in Capital Markets" Series: XI, No. : 29. It corresponds to a gross dividend of TL 0.1179 and to a net dividend of TL 0.1002 per share with a nominal value of TL 1.00. The dividend distribution process shall start on May 30th, 2011.

Chairman' Message

Thanks to its manufacturing approach at global standards, its innovative and high-quality products, and its vision, Vestel is a strong player in its sector, guiding the market not only in Turkey but also on a global platform.

Esteemed Shareholders, Business Partners and Employees,

We left behind 2010, a year in which we witnessed extraordinary developments in global and national economies. We began 2010 under a cloud of pessimism in view of the uncertainty in global developments, but closed the year with optimistic expectations.

Positive results were achieved in a number of countries with the cooperation of financial institutions and as measures were put in practice to end the crisis. However, the real surprise came from developing countries. The driving force behind the growth of the global recovery was developing countries, including Turkey.

Our country's economy grew by 8.9% in 2010, thanks to the lessons that our country learned from past crises as well as its sensitivity towards matters such as risk management, efficiency, flexibility, and government policies aiming to strengthen the economic parameters.

We believe this positive trend will continue in 2011 despite the risks emerging from the public deficits in the USA and European countries, developments in Northern Africa and the Middle East and the earthquake disaster in Japan.

Our most important target is to ensure that Turkey's sustainable growth and competitive edge increase through firm steps. Under this framework, our priority must be to grow in high-technology and value-added sectors by giving priority to R&D and innovation in all business lines.

Thanks to its manufacturing approach at global standards, its innovative and high-quality products, and its vision, Vestel is a strong player in its sector, guiding the market not only in Turkey but also on a global platform.

With its technological and design capabilities Vestel is among the world's largest manufacturers, which competes with giant companies globally and exports to the countries throughout the world. As a company that pioneers innovations, Vestel has gained success by undertaking a significant portion of its sales to Europe and other countries.

The fundamental basis of Vestel's achievements and ability to set ambitious goals as a technology producing company is the importance it attaches to R&D and innovation in every period.

Vestel White Goods continued to raise its share in both the European and domestic markets in 2010.

The fundamental basis of Vestel's achievements and ability to set ambitious goals as a technology producing company is the importance it attaches to R&D and innovation in every period. Accordingly, as in the consumer electronics segment, the awards we receive in the white goods segment through our innovative products strengthen our achievements, while our investments indicate the validity of our approach. In the coming periods, with our R&D team of 800 people and the unlimited budget we allocate to R&D, we will continue to invest in innovative products and new technologies, and thus continue to grow.

During this period, our primary criteria will be to develop environmentally and consumer friendly technologies and to maximize energy savings. With such an awareness, Vestel's own development has been tied closely to that of the community for a quarter of a century, and the Company will continue to keep its promise in every segment as a "friendly technology" brand which penetrates every field of consumers' lives, while also succeeding in being a part of their everyday lives.

Zorlu Group's greatest asset is its human resources. With this belief, we will continue to restructure our human resources based on sustainable quality, respect and sectoral leadership.

I would like to take this opportunity to extend my gratitude to our shareholders, employees, suppliers and business partners for their support and contributions to the achievements we have gained in our products and services, business processes and social responsibilities.

Yours sincerely,

Ahmet Zorlu

Zorlu Group's greatest asset is its human resources. With this belief, we will continue to restructure our human resources based on sustainable quality, respect and sectoral leadership.

Board of Directors

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 Vestel trademark in 1994. He is currently the chairman of Zorlu Group consisting of 57 companies active in electronics, white goods, textiles, energy and real estate sectors.

Prof. Dr. Ekrem Pakdemirli
Vice Chairman
(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.

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 Zorlu Group's textiles companies. He started to serve as a Board Member for Zorlu Holding in 1998. In addition to being a member on the boards of Vestel White Goods and Vestel Electronics, Mr. Zorlu also serves on the boards of Zorlu Holding and other group companies.

Yılmaz Argüden
Board Member
(1958 - Eskişehir) Dr Yılmaz Argüden began his career at Koç Holding in the R&D department in 1978. He is the Founder and Chairman of a leading strategy consulting firm, ARGE Consulting and the Chairman of Rothschild investment bank in Turkey. He has served on the boards of directors of many major national and international firms. Dr Argüden is also the National Representative of UN Global Compact, an adjunct professor of strategy at the Boğaziçi and Koç Universities, an author and a columnist. The World Economic Forum selected him as one of the "100 Global Leaders for Tomorrow" for his efforts to improve the quality of life.

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 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 the chairman of Vestel Executive Committee.

Enis Turan Erdoğan
Board Member and Deputy Chairman of the Executive Committee
(1955 - Mersin) Enis Turan Erdoğan graduated from Istanbul Technical University (Department of Mechanical Engineering) in 1976 and completed a master's degree in production management at Brunel University (in the UK) in 1980. After serving in a number of different positions for various firms in Turkey, he joined Vestel Group as managing director of Vestel Foreign Trade in 1988. Mr. Erdoğan has been a member of Vestel Board of Directors since 1997 and is also a member of the Executive Committee responsible for Vestel Foreign Trade and Vestel R&D.

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 the vice chairman responsible for finance and he has the same responsibility as a member of the Executive Committee.

Four of the seven Board members are non-executive members, while the other three are executive members. Of the non-executive members, Ekrem Pakdemirli and Recep Yılmaz Argüden are qualified as independent members according to the CMB Corporate Governance Criteria on the Principles of Independence. The Chairman of Board of Directors and the Chairman of the Executive Committee are different individuals.

Within the framework of the Capital Markets Board's Principles on Corporate Governance, the Corporate Governance Committee and the Audit Committee were set up under the Board of Directors. Each committee comprises of at least two members and committee presidents were selected from among independent members.

ISS Corporate Services Inc. (ISS) confirmed Vestel Electronics' (the parent company of Vestel White Goods) corporate governance rating as 8.5 (85.87%) out of 10 as of February 26th, 2011.

An Interview with the Chief Executive Officer

As being one of the relatively new brands best utilizing the advantage of being a young player in the white goods sector, we have tripled our share in the domestic market in the last decade through our high value-added and innovative products.

How did Vestel White Goods perform in 2010?

2010 was a year in which Vestel maintained its strong position in the domestic and international arenas on one hand, and focused on investments aiming to meet the needs of the market on the other. Acknowledging that the consumer durables sector is led by technological developments, Vestel exploits the advantage of having adopted innovation as a part of its corporate culture. With this understanding, the Company completely emerged from the crisis in 2010 and added momentum to its achievements throughout the year.

In 2010, Vestel White Goods' revenues increased by 19% YoY in Euro terms to Euro 715 million while exports accounted for 68% of the total sales. Our Company reported a net profit of Euro 12.7 million during this period.

As being one of the relatively new brands best utilizing the advantage of being a young player in the white goods sector, we have tripled our share in the domestic market in the last decade through our high value-added and innovative products. In the European market, on the other hand, we stood among the leading white goods manufacturers, thanks to our expanding product line, flexible and fast manufacturing and delivering capabilities and our logistical and cost advantages. Within this framework, Vestel enjoyed above average sector growth in 2010 in the regions where it operates, thus continuing to raise its market share.

We owe this performance to capitalizing on the opportunities brought by our edges in meeting expectations and delivering goods to customers as quickly as possible through our flexible production model and our agility in making decisions and putting them in action.

What would you like to say about Vestel's export performance in 2010?

While moving forward with firm steps in both the Turkish and global markets, Vestel is Turkey's symbolic power in terms of exporting technology to the world. Within this framework, our Group's white goods manufacturing company Vestel White Goods' total exports increased by 12% YoY in Euro terms to Euro 486 million in 2010.

Today, Vestel Group of Companies exports to 131 countries. While new countries are being added to our list of export destinations with each passing year, we work hard to raise our country's export potential and maintain our leadership.

As well as growing in Europe, our primary market, we demonstrated rapid growth in Russia and its neighboring countries, Middle East, Africa and India, where we sell our products under Vestel and Regal brands. We work with a strategy of acquiring known and trusted regional brands in European countries and gaining a presence in those markets with these brands. Brands such as Finlux and Luxor, which are well known in Scandinavian and Northern European countries, and Vestfrost, one of the most prestigious white goods brands in Europe and Russia, raise our market and sales potential in the white goods sector.

What kind of strategy did you adopt in the Turkish market?

Vestel's desire to create a user-friendly Turkish technology, which goes inside the home of every consumer regardless of income segment, lies behind the Company's strategy the domestic market. Our promise for a "friendly technology", a slogan which we have been using for more than a year, stands as testament

While moving forward with firm steps in both the Turkish and global markets, Vestel is Turkey's symbolic power in terms of exporting technology to the world.

to this determination which Vestel has been preserving since its foundation. The importance Vestel attaches to customer satisfaction, as well as its warm relations with consumers, its desire to stand by its customers under all circumstances, its extensiveness, its specialized retail strategy, its products which make life easier and its environmentally friendly production are all integrated under its "friendly" title.

As a company currently in touch with its customers at 1,050 retail stores in 81 cities, Vestel became the first consumer durables brand to sell its products over the internet, through the E-Store application which it launched last year. The number of members of Vestel's E-Store approached 40,000 within a time frame of less than a year. Currently providing seamless after-sales services through 350 service centers, Vestel provides installation services together with product delivery. Vestel Call Center, on the other hand, which is one of our most important channels of communication with consumers, allowing us to assist our customers all the time. We measure our service quality and customer satisfaction on a regular basis through surveys which we carry out through our call center, which allow our customers to reach us whenever they want.

In the post-crisis period, we observed that consumers became more conscious and began to keep a closer view of promotions that offer various opportunities. One example of the trust in Vestel's product quality was our Three Month Return-Guarantee Campaign, a first in Turkey, which we launched at the end of 2009; and which was extended because of the significant interest it attracted. We were proud to note that the rate of return was extremely low in the campaign, and almost all of the returns were with the aim of switching to a higher end model.
Today, product-price management alone is no longer sufficient. The important thing is to establish effective communication with consumers and to make a difference in communication through "relationship management". Being aware that a healthy and continuous relationship plays a primary role in brand preference, we are constantly seeking to improve our service quality at every point we meet our consumers, and fulfill our promise as a "friendly technology" brand in every field of activity. As a brand which has focused on development and growth, we keep a close view of consumer and technological trends; we listen to our consumers and dealers, who are the messengers of our brand, and we display the Vestel difference in our products, services and communications.

How much did you invest in R&D during 2010?

In 2010, as in the previous year, Vestel's primary investment items were R&D, innovative products and the technology. In line with our principle of continuous investment in technology development, we also worked with an unlimited budget in R&D in 2010.

Behind Vestel's development and its competitive edge is the strategic importance which it attaches to R&D. In continuous efforts to offer innovative products and value-added projects to global markets, we invest in knowledge and technology at our R&D centers, leading the market. In all of Vestel's R&D units, technological developments are closely monitored, with direct contributions made to the development of these technologies.

Our primary criteria in product development are the development of environmentally and consumer friendly technologies, the maximization of energy savings, capability of product customization based on R&D, the development of products which fit the preferences and habits of different market segments, and the dominance of our products with their ergonomic design.

Integrating industrial design into R&D processes in the most effective manner, Vestel has proven its success in product design with a number of international awards. Having received dozens of awards in recent years with its innovative products, Vestel also received awards in 2010 in the most prestigious design contests globally, including the IF Product Design Award, the Plus X Award and the Good Design Award. The awards we received prove that Vestel has been successful in the international arena not only through its production capabilities but also through its claim in design development.

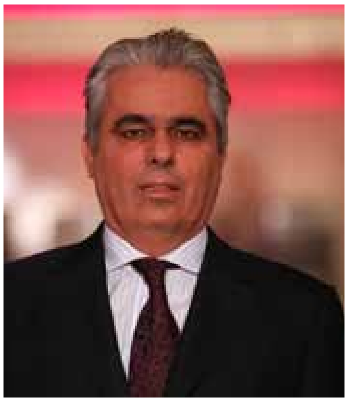
What are your targets for 2011?

We expect the global economy to enter in a growth trend and, in parallel with this, foreign demand to increase gradually in 2011. In this period, we aim to capture a higher share in domestic and foreign markets, thanks to our high production quality, new products and increasing brand awareness. With our experience and strong market positioning, as well as the strength we get from our employees, we will continuously move forward with our production activities and investments in 2011. Our target is to progress as a determined company which is one step ahead of consumer expectations in global markets, to be pioneers the sector and strive to offer high-quality and innovative products by focusing on consumer needs and R&D activities. To this end, I have unlimited confidence in our employee's and the whole Vestel Family's determination to succeed.

Executive Committee

Ömer Yüngül
Chairman of the Executive Committee
(1955 - İzmir) Ömer Yüngül graduated from Boğaziçi University (Department of Mechanical Engineering) in 1978. He joined 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 the chairman of Vestel Executive Committee.

Enis Turan Erdoğan
Deputy Chairman of the Executive Committee
(1955 - Mersin) Enis Turan Erdoğan graduated from Istanbul Technical University (Department of Mechanical Engineering) in 1976 and completed a master's degree in production management at Brunel University (in the UK) in 1980. After serving in a number of different positions for various firms in Turkey, he joined Vestel Group as managing director of Vestel Foreign Trade in 1988. Mr. Erdoğan has been a member of Vestel Board of Directors since 1997 and is also a member of the Executive Committee responsible for Vestel Foreign Trade and Vestel R&D.



İhsaner Alkım
Executive Committee Member
(1954 - Kırklareli) İhsaner Alkım graduated from Istanbul Technical University (Department of Electronics and Communications Engineering) in 1977. After serving in various positions including Production and R&D Management in the electronics sector, he joined Vestel in 1988. After serving at Vestel as a R&D Manager, Plant Manager Responsible for Production, Technical Deputy General Manager and Deputy CEO of Vestel Electronics, he left the Company in 1998 and served as a Deputy CEO responsible for Purchase and R&D in a different company in the electronics sector. Having rejoined Vestel in 2002, Mr. İhsaner Alkım is currently a member of the Executive Committee responsible for electronics R&D.

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 the vice chairman responsible for finance and he has the same responsibility as a member of the Executive Committee.

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.

Cengiz Ultav
Executive Committee Member
(1950 - Eskişehir) Cengiz Ultav graduated from the Middle East Technical University with BSc and MSc degrees in electronics engineering. He began his career at the Philips International Institute and subsequently served in senior management positions at various electronics and IT 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.

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

Necmi Kavuşturan
Executive Committee Member
(1956 - Gaziantep) Necmi Kavuşturan graduated from the Faculty of Political Sciences at Ankara University in 1979. After serving in various positions in Işbank and Interbank, he was actively involved in the establishment of DenizBank in 1997 as an assistant general manager before joining Zorlu Group. In 2003, he was appointed as the human resources coordinator for Zorlu Holding. Mr. Kavuşturan has been a member of the Executive Committee responsible for human resources at Vestel Group since 2005 and has served as a Board member of Zorlu Property Group since 2010.

Zorlu Group in Brief

With total assets of around US$ 10 billion, Zorlu Group contributes with increasing significance to the Turkish economy with its pioneering and strong companies operating textiles, consumer electronics, information technologies, consumer durables, energy and real estate sectors.

Zorlu Group of Companies and Fields of Activity	
Home textile, polyester yarn	
Korteks	The biggest integrated manufacturer and exporter of polyester yarns in Europe and the Middle East
Zorluteks	The leading home textile manufacturer in Europe
Electronics, information technologies and consumer durables	
Vestel	The leading ODM provider of TVs, white goods, and digital products for the European market One of the major players in the European LCD market with an increasing market share Production bases in Turkey and Russia One of the leading players in the domestic LCD TV and white goods market through the well-known "Vestel" brand
Energy	
Zorlu Energy Group	One of the leading IPPs in the domestic market with 745MW of installed capacity, accounting for approximately 7.1% of the total electricity generated by private producers (excl. BOO, BOT & TOR) Ongoing investments in Russia, Pakistan and further projects in Israel Also active in electricity trading, natural gas trading & distribution, EPC and O&M segments
Real Estate	
Zorlu Property Development and Investment	Entered operation in 2006 Objective: To develop and invest in real estate projects including as residential and office projects, business centers, shopping centers, hospitals and hotels at prime locations in Turkey and abroad and to play an active role in their operation Ongoing major project: Zorlu Center, which is Turkey's first and only "mixed-use" real estate development project with 5 different functions, comprises a performing arts center, a hotel, offices, a shopping center and residences

Vestel White Goods Gains Prominence with its Competitive Strengths

Vestel White Goods develops and diversifies products in accordance with different needs of its customers, and is able to diversify mass production activities on an order basis, thanks to its flexible production capability.

Being a leading manufacturer of white goods in Europe and Turkey, under its well respected and trusted brand image, Vestel White Goods represents considerable competitive strength thanks to its advantages in production competencies such as cost-efficiency, flexibility and productivity, as well as its position differentiating in the axis of R&D innovation and design, and its logistical, organizational and managerial superiority in reaching customers.

Cost advantages of economies of scale

As one of the most rapidly growing manufacturers in the white goods market, Vestel White Goods reaps the benefits of its economies of scale; it enjoys cost-advantages in the purchase of components, its major cost item, and supports these advantages with its deeply rooted and strong corporate relations as well as its competence in bargaining.

Working with a broad network of domestic and international suppliers

In addition to the logistical and cost advantages arising from proximity of domestic suppliers, which are predominantly chosen from Manisa and the surroundings, the Company enjoys quality advantages as it ensures that these suppliers comply with the quality standards and criteria set forth by Vestel White Goods by operating in accordance with EU regulations.

Flexibility in production

The Company develops and diversifies products in accordance with different needs of its customers, and is able to diversify mass production activities on an order basis, thanks to its flexible production capability.

Cost advantages provided by production facilities undertaken in Europe's newest plants located under a single roof

The Company enjoys advantages in terms of energy efficiency, effectiveness and other cost advantages as it makes use of the most modern and state-of-the-art technology in Europe as a result of investments undertaken within the last decade, and also as a result of locating all of its production facilities under a single roof.

With its ability to design with state-of-the-art technology, functionality and industrial design, Vestel carves out a distinguished name for itself in the international arena.

R&D and product development capabilities

Besides its ability to influence trends with its R&D and innovation superiorities and to develop technologies directing the markets, Vestel addresses consumer expectations by understanding market trends, customer expectations and needs accurately and through its ability to reflect these to its R&D and production processes; and prioritizes such factors as "functionality" and "economic accessibility".

Product customization ability

Thanks to its ability to manufacture products based on customer demand and/or geographical, socio-cultural characteristics, Vestel is one step ahead of the competition when it comes to product customization, which gradually gained more importance in today's world.

Superiority in combining design with technology

With its ability to design with state-of-the-art technology, functionality and industrial design, Vestel carves out a distinguished name for itself in the international arena.

Proximity to the European market

Vestel White Goods enjoys an important advantage when it comes to meeting the short-term requirements of European manufacturers and delivering products quickly thanks to its low production costs and flexible production capabilities, complemented by its logistical advantage arising from its proximity to the European market. This is also supported to some extent by relatively low level of competition coming from Far East, particularly China, largely due to the high freight costs incurred in white goods transportation.

Strong brand and service network

Thanks to its ability to quickly adapt to market conditions, its logistics and distribution competencies and its advanced after-sales service facilities, Vestel enjoys an advantage in domestic and foreign markets. Reinforcing its strong brand image in Turkey through its broader dealership base and strong service network supported by technological means, Vestel has also gained prominence in export markets thanks to its international marketing and sales organization.

Vestel White Goods' Marketing Strategy

The marketing strategy of Vestel White Goods can be summarized as:

- Continuing to gain market share by further strengthening its position by providing ODM services to A-brand producers, retail market chains and distributors in the European market.
- Further strengthening its market position, both in Turkey and in neighboring countries, with its own Vestel and Regal brands.
- Successfully applying its strategy of "strengthening its position in the European market" with regional brands in Vestel Group's portfolio, especially Vestfrost which is well known in Northern Europe.

The Vestel Style in White Goods

Vestel's built-in series brings a wind of change to kitchens

With the new series of products that it released to the market in 2010, Vestel has set forth its assertion in built-in products, which it determined as its main growth direction in white goods. Four new built-in series with different colors as Mirror, Black, Inox and The White series was introduced to consumers under 13 different packages which all address diverse tastes. Vestel's new built-in series attract attention with user-friendly dishwashers, multifunctional ovens and stoves and the kitchen hood models that stands out with their design.

- Vestel's built-in ovens of energy class A, which consume a minimum of energy, are able to raise their inner temperature to as high as 500˚C thanks to their special design and insulation technology, and allow for easy cleaning of the inner surface.
- Vestel's A energy class built-in dishwashers, offer a wide array of features such as fast washing programs, Ecowash – a feature that allows the machine to perform a more economic wash without being completely filled, Smartwash – a feature that accurately detects the extent to which dishes are soiled, and Auto Tablet – a feature that adjusts washing time based on the tablet detergent.
- Kitchen hoods, which differentiate themselves with an array of features such as the detector that measures the temperature on the surface of the stove, over-glass touch control, a filter impletion indicator, silent operation and an automatic shut-down function which is activated automatically after 15 minutes of non-use.

Vestel XXL for those who dream of wide refrigerators

For those families that dream for a wide refrigerator, Vestel introduces the new Vestel XXL, which has a big deep freeze with 3 drawers and a large cooling compartment. This refrigerator, which, different from its rivals, comprises of a cooler on the right hand side and a fridge-freezer on the left, which can be used separately or as a whole, removing area restrictions.

- With the combination of the SBS 822X fridge-freezer as the left section and the SBS 803X refrigerator as the right section, the two units can either used as a single fridge or as two fridges
- Big deep freeze and cooling compartment with 3 drawers
- 693 liter gross volume
- Energy class A

TwinJet Plus: Turkey's most energy-efficient washing machine

The award winning TwinJet Plus, which received awards in the international Red Dot, iF Design and Plus X Award design contests, is known as "Turkey's most energy-efficient washing machine", which offers a blend of technology, aesthetics, ease-of-use and economy.

- 50% energy saving compared to energy class A, and water consumption of only 48 liters for 8 kg of laundry
- Extra fast washing cycle of just 12 minutes thanks to the TwinJet technology
- Laundry washing capacity of 8 kg, 1,200 rpm
- Door lock, which opens without keeping the user waiting, and a wide cover

Continuously investing in R&D and technology, Vestel White Goods is focused on the production of environmentally friendly products which save energy and natural resources, improve hygiene and operate silently; and addresses an increasing number of consumers with each passing day through its technological products in which it combines functionality with design.

Vestel's new dishwashers are of class AAA in terms of energy-efficiency for washing and drying

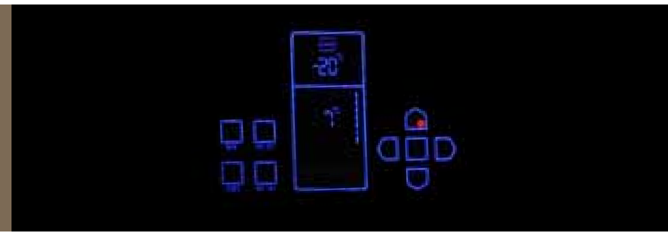
Vestel's new dishwashers of class AAA meet consumers' diverse needs through their ease of use, time-saving and hygienic features and advantages, while minimizing energy usage and water consumption with their highly efficient performances.

- Minimum power and water consumption, thanks to its performance in energy-saving, washing and drying
- "Maximum Hygiene Program", which provides anti-bacterial protection that destroys bacteria at a rate of 99.9999% according to the results of the hygiene test approved by VDE, the international testing institution; and provides maximum cleaning for all kinds of material that can be washed in a dishwasher
- A 12-person dish washing capacity
- Options with 2-9 programs including delayed start
- An LED-screen program tracking indicator
- Safety system and resistance protection against overflowing
- Height-adjustable upper baskets, foldable shelf systems in the lower basket, cup holders and child safety latch
- Minimum power and water consumption, thanks to its ability to adjust the washing time, based on the amount and type of dishes
- The world's fastest dishwashers with class A washing performance with two types of fast washing depending on the type of dishes: fast 30' – which reduces washing time to 30 minutes and Super 50' – which performs fast washing in 50 minutes.

Triple protection with Vestel Air Plus of "Energy Class A" air-conditioning units

Vestel Air Plus air-conditioning unit, of energy class "A", provides triple protection with its anti-allergic, anti-viral and anti-bacterial filters, employs Bio Trio technology and removes negative charges and stress through by dissipating negative ions to the environment:

- Carries the relaxing odors of nature to the environment through its odor cartridge;
- Instantly removes negative charge and stress, by dissipating 1.3 billion negative ions per second into the surrounding environment;
- Possesses an anti-allergic filter, which prevents allergic reactions by removing pollens and spores;
- Kills viruses with the catechine in the anti-viral filter, which uses the same antioxidant substance that is found in green tea; and
- Destroys bacteria in the environment through the enzymes found in the anti-bacterial filter.



R&D at Vestel White Goods: The Key to Making a Difference

Vestel White Goods R&D Department is constituted of separate divisions that are responsible for different production processes.
In addition to the R&D units of each plant, which are accountable to the Plant Directorate, there is also a Technology Development Center under the General Directorate, which conducts the industrial design and innovation work for all products.

Teams, which are accountable to the R&D department, undertake efforts with respect to the innovation or implementation of new technologies, new product designs, and development of environmentally friendly products, as well as increase in productivity and cost-efficiency.

Within the framework of Law no. 5746 on Supporting Research and Development Activities, Vestel White Goods received a R&D Centre certificate on October 17th, 2008.

We are ambitious when it comes to patents.
Aiming to raise the number of its applications for patents, utility models, designs and brands with each passing year, thanks to its new projects and innovative ideas that provide value added, Vestel White Goods submitted 182 patent and utility model applications and 218 design approval applications in 2010; 90 of the patent/ utility model applications and 67 of design applications that were made in previous years were approved. Accordingly, the Company nearly tripled the number of patent applications and design applications increased by nine fold when compared to the previous year.

We are also one step ahead in design
Having integrated industrial and mechanical design processes with its R&D studies, Vestel White Goods' products have gained prominence, thanks to their innovative design, their functionality and technological superiority. Furthermore, studies aimed at developing new platforms which fit the changing product trends in the market and ensure the comfort of the users are important parts of the design process. Vestel White Goods attaches considerable importance to customizing and developing products based on different expectations and needs. Vestel White Goods is also able to anticipate consumer expectations accurately, while developing design and technology which takes local aspects into account, and creating products whose functions reflect such factors as socio-cultural and climatic characteristics.

The basis of Vestel's R&D efforts in the white goods sector is to achieve functional and aesthetic designs and to develop environmentally friendly technologies and products, which use resources efficiently by maximizing energy- and water- savings, while providing extra hygiene.

In parallel with the market's demands and trends, Vestel offers products which stand out with their environment-friendly technology and superior design. In addition, the Company undertakes efforts to develop new platforms which fit changing product trends in the market and to provide comfort for the users. Vestel is stepping up its efforts in the field of inter-connectivity as it sees the rapid inclination towards environments, where all products are in communication with each other.

Within the scope of the R&D efforts conducted at Vestel White Goods in 2010:

- A+++ refrigerators were developed through cost/energy optimization via the new Table Top platform, which accounts for 30% of all refrigerator production.
- The design of the 70 cm No-Frost fridge-freezer was completed, and they were prepared for mass production.
- Work got underway for 48/54 cm fridge-freezers. Vestel thus aims to ensure ergonomic use, also achieving reduced volumes and narrower widths.
- Efforts with respect to the development of four-door French door refrigerators reached the productization stage.
- Efforts were stepped up on the development of built-in cookers, which reduce cooking time and provide energy savings through the induction technology; new products were developed, accordingly. Vestel inclined towards production of class A and over, and performed R&D studies, particularly with respect to the new generation of full size ovens, Domino stove series, remote control electronic built-in ovens, as well as various cooking accessories and various induction stoves.
- Of 31 R&D projects on dishwashers, 17 were successfully completed, while work on the remaining 14 is still under way. As a result of these projects, new aesthetic product families, a number of products specially designed for unique markets and the new class AAA dishwasher series, with their diverse functions, were released to the market. The market was led by our new dishwasher, which is the world's fastest dishwasher able to perform class A washing in 50 minutes, and our special hygiene

program, which provides hygiene at a rate of 99.9999%.

- Thanks to the TwinJet Plus technology, a new washing machine, which is Turkey's most efficient washing machine in terms of water usage and which consumes 50% less energy than energy class A washing machines, was developed and released to the market.
- A new series of internal air-conditioning units were prepared that bear the necessary features for the design of highly energy-efficient products. Thanks to the design of the new internal unit, highly efficient inverters, which are known as super inverters in the market, will also be added to the Company's product range.
- Studies related to the development of water heaters are being carried out intensively to meet the changes taking place in the water heating system sector.

Product Standards Compliance Certifications
TSE – Turkey, CE – European Union, SASO - Saudi Arabia, GS – Germany, GOST R – Russia, UL – USA, IRAM – Argentina, KUCAS – Kuwait, TER – Kuwait, SGS – Australia, UL – Canada, SII – Israel, SONCAP – Nigeria, CERTIGAS – EU, ISCIR, ICPE – Romania, POLONYA STD. – Poland, UkrSEPRO – Ukraine, TÜV, VDE – Germany, SEMKO – Sweden, CQC, CCC – China

Our achievements are crowned with awards.
Within the framework of the "Turkish Patent Awards 2009" given by the Turkish Patent Institute in 2010, Vestel White Goods received the award for the "Second Company in Turkey to Have the Highest Number of Approved Patents in 2009" under the Turkish Patent League Award category. When the number of design applications is taken into account, Vestel White Goods is expected to receive an award under at least one category also in 2011, as in previous years.

DESIGN TURKEY

Design Turkey (2010)
UH 590 no-frost refrigerator

product design award

iF Product Design Award (2011)
Claros dishwasher
Lydia dishwasher
UH 590 (maestro) refrigerator

reddot design award
winner 2010

Red Dot Design Award (2011)
Odysseus dishwasher

PLUS X AWARD® achieved for: Design
PLUS X AWARD® achieved for: Ergonomics
PLUS X AWARD® achieved for: Ecology
PLUS X AWARD® achieved for: Ease of Use

Plus X Award (2011)

- UH 590 no-frost refrigerator - awarded for its design and ease of use
- Hemera washing machine - awarded for its design, ease of use and ecological features
- Claros and Nora dishwashers - awarded for their design and ease of use
- Lydia dishwasher - awarded for its design
- Odysseus, Lita and Teos dishwashers - awarded for their ease of use
- BGH 401 and BSH 101 set-top stoves - awarded for their design
- DSH 201 set-top stove - awarded for its design and ease of use
- Edge TB, Ind TB and LCD DT ovens - awarded for their design and ease of use
- Loop air-conditioning unit - awarded for its ease of use
- Nito water heater - awarded for its design and ease of use
- BZA-XL4303 XEW fridge-freezer - awarded for its design

Vestel White Goods Is Always a “Friend” of Consumers...

Maintaining continuous and close relations with its customers through various campaigns and communication activities, Vestel pursues an effective strategy in brand management through its high-quality after-sales service, which also includes an effective call center system as well as central practices aimed at finding solutions, particularly technical solutions.

Going to great lengths to develop a user-friendly Turkish technology, which goes inside the home of every consumer regardless of their income segment, Vestel’s promise of a “Friendly Technology” brand symbolizes the Company’s closeness to its consumers and the benefits that its products offer to users as a 360-degree concept, which begins with ideas producing solutions for people’s needs, continues with production at the plant, meets with consumers through dealers and is crowned by the after-sales service process which fully embraces the consumer.

With an approach focused on development, progress and growth, Vestel is a high-tech brand which develops ideas, helping to make life simpler, and produces friendly solutions for the world. Vestel achieves this through;

- following the trends;
- listening to its consumers, employees and dealers; and
- setting itself apart from the competition.

Cementing its technological leadership under the concept of “Friendly Technology” with its brand image, which symbolizes the Company’s position of standing by consumers at all times, Vestel’s relationship with the customers does not end at the purchase stage; the Company manages its applications with the target of achieving after-sales customer satisfaction and raising brand loyalty.

Maintaining continuous and close relations with its customers through various campaigns and communication activities, Vestel pursues an effective strategy in brand management through its high-quality after-sales service, which also includes an effective call center system as well as central practices aimed at finding solutions, particularly technical solutions.

As a brand that manufactures new technologies and offers new products to its consumers based on these technologies, Vestel believes that the effective use of interactive media, including social media, is important when it comes to brand management. Vestel exploits innovative and integrated-marketing methods through its interactive communication platform, which touches consumers more closely, adds dynamism to the spirit of the brand and provides interaction.

While reflecting new technologies and systems to its services, Vestel prioritizes the “human” factor in sales and marketing at all times. Vestel recognizes that the value of the strong communication which its dealers and service centers establish with its consumers everywhere in Turkey, as well as the value of relations developed on the basis of trust and respect, is incomparable to any platform.

As the first consumer durables brand in Turkey to launch product sales over the Internet, Vestel meets its consumers at the web address, emagaza.vestel.com.tr.

All Vestel products at your hands in the E-Store

As the first consumer durables brand in Turkey to launch product sales over the Internet, Vestel meets its consumers at the web address, emagaza.vestel.com.tr. Attracting attention with its user-friendly design, E-Store is home to hundreds of consumer electronics goods, white goods and IT products, sold in a virtual environment.

Launched on March 15th, 2010 and having attracted great interest since then, Vestel E-Store had reached a total of 40,000 members in the first quarter of 2011. At the E-Store, the Company continuously undertakes sales and offers promotions through regular campaigns. Special opportunities offered by Vestel E-Store to its visitors can be followed through Twitter and vestelemagaza.

New opportunities at every moment through campaigns...

Vestel also introduced its products to consumers by offering a numerous periodic promotion campaigns (for example in Ramadan, in the autumn season, through promotion of the week, etc) to consumers in 2010.

The 3-month return guarantee campaign, launched at the end of 2009 with the target of "a Vestel product in each home", and which was extended for a further 3-month period in 2010 in response to intense interest, was a first in Turkey, a clear indication of the way Vestel always stands by its products.

Products with discount up to 40% from Vestel E-Store

People who shop at Vestel E-Store are given the chance to get discounts up to 40% within the framework of the campaign, which is renewed with Vestel products under a different category each week. Many Vestel products from electronics to white goods meet with consumers at the opportunity corner of Vestel E-Store, which is renewed each week.

With competition becoming more intense as international consumer electronics chains have grown in the Turkish market, Vestel Durable Consumer Goods Marketing is always one step ahead with its channel infra- and superstructure and with its dealers, whose competence in customer relations has been proven.

Our Strength in Marketing: Distribution Network

Vestel Group of Companies offers its products to millions of consumers, thanks to its strong commercial organization in domestic and international markets, which is managed with proactive strategies.

Vestel Durable Consumer Goods Marketing, as Vestel's marketing, sales and service force in the domestic market, commands a key advantage in terms of high-quality products and experience in the field of multi-brand concepts, as well as a competitive edge in managerial aspects, thanks to the organizational structure of its distribution network. Having dealers and service centers gathered under the same management, the Company benefits from high mobility in covering customer demands rapidly and effectively.
With competition becoming more intense as international consumer electronics chains have grown in the Turkish market, Vestel Durable Consumer Goods Marketing is always one step ahead with its channel infra- and superstructure and with its dealers, whose competence in customer relations has been proven.

Vestel Durable Consumer Goods Marketing:

- ensures effective dealer and service center management through GIS (Geographical Information System);
- ensures 90% occupancy in logistics, as well as efficiency in product transportation and effective warehouse management through the Manugistics System;
- provides cost-efficiency, productivity and time-saving through the new generation transportation optimization system, which optimizes transportation of products to dealers via multiple criteria;
- keeps view of retail sales on an up-to-date basis via the Diva system;
- ensures continuous and up-to-date development of all its dealers and employees in Turkey through online product training sessions held over the satellite communication system of Dexar, one of Vestel Group of companies; and
- adopts a customer- and sales-oriented approach in its concept stores based on a multi-brand strategy.

Vestel Durable Consumer Goods Marketing has a broad sales and service network throughout Turkey, which is comprised of:

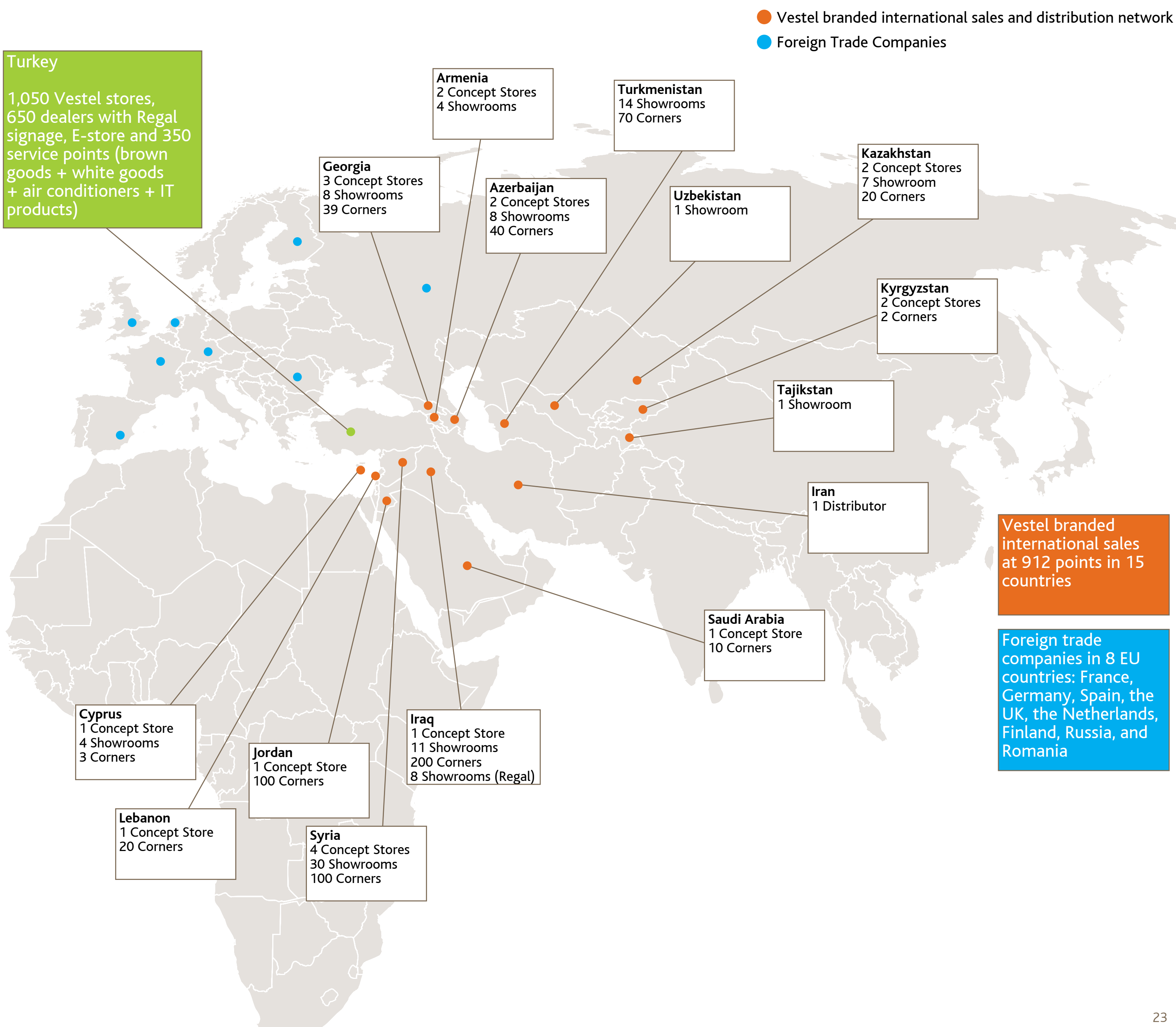
- **1,050 Vestel stores**
- **650 dealers with Regal signage**
- **Online sales through its E-store**
- **350 service centers (electronics + white goods + air conditioners + IT)**

Vestel Foreign Trade carries out the international marketing and sales activities of Vestel Group of Companies through its international offices and local sales and distribution networks in France, Germany, Spain, the UK, the Netherlands, Finland, Russia and Romania.

The Company also carries out its sales under "Vestel" brand in 15 countries, including Russia, CIS countries and Middle East, at 920 outlets (912 Vestel and 8 Regal outlets).


Dünyayla
Dost Teknoloji
VESTEL


Dünyayla
Dost Teknoloji
VESTEL


Vestel branded international sales and distribution network
Foreign Trade Companies
Turkey
1,050 Vestel stores, 650 dealers with Regal signage, E-store and 350 service points (brown goods + white goods + air conditioners + IT products)
Armenia
2 Concept Stores
4 Showrooms
Turkmenistan
14 Showrooms
70 Corners
Georgia
3 Concept Stores
8 Showrooms
39 Corners
Azerbaijan
2 Concept Stores
8 Showrooms
40 Corners
Uzbekistan
1 Showroom
Kazakhstan
2 Concept Stores
7 Showroom
20 Corners
Kyrgyzstan
2 Concept Stores
2 Corners
Tajikistan
1 Showroom
Iran
1 Distributor
Vestel branded international sales at 912 points in 15 countries
Saudi Arabia
1 Concept Store
10 Corners
Foreign trade companies in 8 EU countries: France, Germany, Spain, the UK, the Netherlands, Finland, Russia, and Romania
Cyprus
1 Concept Store
4 Showrooms
3 Corners
Jordan
1 Concept Store
100 Corners
Iraq
1 Concept Store
11 Showrooms
200 Corners
8 Showrooms (Regal)
Lebanon
1 Concept Store
20 Corners
Syria
4 Concept Stores
30 Showrooms
100 Corners

Human resources at Vestel are regarded as an essential element giving the Group its competitive edge. The fundamental goal of Vestel's Human Resources Policy is to ensure that every employee possesses Vestel Group's shared values.

Human Resources that Reflect the Corporate Culture

The basic target of Vestel White Goods' human resources is to maintain the current structure of its qualified and productive human resources which fit the Company's dynamism.

Acting on the awareness that efficiency and quality in production will rise in line with improved working conditions and the satisfaction of employees, Vestel White Goods shapes all of its regulations and practices regarding human resources through this approach.

Vestel's Human Resources Policy

Human resources at Vestel are regarded as an essential element giving the Group its competitive edge. The fundamental goal of Vestel's Human Resources Policy is to ensure that every employee possesses Vestel Group's shared values.

One aim is to make Vestel Group an employer that people want to work for. Within this framework, attention is given to achieving and maintaining justice and equality of opportunity among employees and to assess and encourage success and superior performance, while always balancing the expectations of employees on one hand, and of the Group on the other.

One basic principle is to make use of the Group's own human resources when meeting requirements insofar as possible. Innovations in human resources management are monitored, evaluated, and applied taking into account the differences arising from the sectors and companies that make up Vestel Group.

Vestel Group has a written human resources policy which includes recruitment, promotion, dismissal, the severance pay system, training, career planning and performance measurement.

Employees' personal rights, promotions, career plans and training as well as disciplinary actions are monitored by the Human Resources Department and employees are evaluated at least once a year in accordance with the defined performance criteria.

Training activities in 2010

Continuously investing in qualified human resources, Vestel White Goods provides its employees with every opportunity to develop and progress in their careers while ensuring equality of opportunity.

In 2010, while a total of 475 people participated in training programs at Vestel White Goods, with an average training time of 22.6 hours per employee.

The philosophy of efficiently using energy and natural sources is also adopted in the production facilities.

Total Quality at Vestel White Goods: Management Systems, Environmental and Occupational Safety Approach

Vestel White Goods conducts its production activities in full compliance with the following standards:

- Operating Standard Compliance Certifications
- TSE 9001-2008 Quality Management System Certification
- TSE14001-2004 Environmental Management System Certification
- TSE18001-2008 Occupational Health and Safety Management System Certification
- IQNET International Compliance Certification

The responsible policies and practices regarding the environment, occupational safety and worker/employee health, to which Vestel White Goods deals with through a total quality approach, are conducted in parallel with the approach and practices adopted throughout Vestel Group.

Vestel White Goods targets an approach that protects and improves the quality of life of its employees and customers through an environmental policy, which has been set up within the framework of a shared quality language and environmental awareness adopted throughout the Group.

Vestel's primary principle is to reduce raw material consumption, reduce waste, develop recycling projects and lower the consumption of electricity, natural gas and water. Within this framework, the Company is currently performing efficiency-based efforts with respect to Energy Management.

The philosophy of efficiently using energy and natural sources is also adopted in the production facilities. Efforts regarding the use of pressurized air for efficient use of energy, as well as measures in the cooling of water, the heating and cooling of offices and plants and reducing power costs are still under way with the aim of ensuring greater energy efficiency.

Having included energy efficiency training to on-the-job training programs, Vestel consumes much less electricity and natural gas at its plants with the latest technology than other plants that use older technologies.

Vestel reduces the use of hazardous substances in product design and production processes and conducts research into substances that are less polluting.

Vestel plays a key role in the implementation of environmental and health-related regulations required by global markets. Within this framework, the Company reflects most of the EU's Eco-label criteria to its studies. Vestel also abides by such regulations as RoHS and REACH, which impose restrictions on the use of hazardous chemicals and substances. This limits the use of six heavy metals (lead, mercury, cadmium, Chrome+6, PBB, PBDE) which pose a threat to life and the environment.

Vestel has adopted the principle of not using chemicals which could harm the ozone layer or cause global warming through the greenhouse effect. Within this framework, the Company uses gases with very low ODP (ozone depletion potential) or GWP (global warming potential) during the production of refrigerators and air-conditioning units.

Vestel also switched to customized plastic injection techniques and molding methods, which minimize use of dyes in products and even completely eliminate such need in some models, and to nano-technological dyeing process in some production lines.

The Company gives priority to increasing the number of its products classified in the A++ and A+++ energy groups after the products of energy class A and A+ in the white goods segment.

The Company goes to great lengths to reduce the amount of waste, and ensure reuse, recycling and recovery of its goods.
Vestel complies with the WEEE (Waste of Electrical and Electronic Equipment Directive), which holds each brand responsible for the collection and recycling of the wastes of its own products.

All of the scrap, waste and faulty parts associated with the production of the body plastic used in the inside of refrigerators is recovered by passing them through the grinding machine and added to the raw materials.

Vestel ensures that hazardous waste is stored in accordance with regulations and recycled/disposed at licensed plants by licensed companies, while the Company's Environmental Department conducts studies into emission standards, Environmental Impact Assessment reports, etc.

Thanks improved efficiency and the use of new technology, we are in a position to save energy, water and natural sources.
The Company gives priority to increasing the number of its products classified in the A++ and A+++ energy groups after the products of energy class A and A+ in the white goods segment, in order to ensure efficient use of natural resources, particularly electricity. A major part of the Company's refrigerator product range, all of which use environmentally friendly cooling gasses, include products of A+ and A++ energy classes. The significant developments in this area were the Company's new washing machine, which consumes 50% less power than products under the class A group, as well as its class AAA washing machine – both of which were offered to the market in 2010.

Recyclable packaging materials used wherever applicable
Vestel minimizes damage to the environment by using environmentally friendly biological paper in packaging instead of polystyrene. The use of cardboard boxes has been reduced by 90% in materials coming from subsidiary industrial suppliers in Manisa, thanks to the "smart box" and "case" system; soles of these smart boxes are printed in the factory. Moreover, the principle of "reuse" is applied to nylons and cardboard separators.

In order to create a safe working environment in all of its facilities and to establish an exemplary occupational health and safety system which meets global standards by imbuing all its employees with awareness on occupational health and safety, 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 all levels, are aware of their responsibilities for occupational health and safety, and to provide continuous training on health and safety so that employees gain proper behavioral habits on such issues.
- Eliminates or at least 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.
- Raises fire safety and increases the continuous occupational health and safety performance at its plants, by ensuring effective communication, information sharing, continuous cooperation and loyalty to the Company's policies.

Corporate Governance Principles 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.

Activities undertaken in 2010 with a view to further increasing the compliance of Vestel White Goods Inc. with the Corporate Governance Principles are summarized below:

• The articles of incorporation and the disclosure policy were revised and made available for the information of the investors.

• “Frequently Asked Questions” section has been added to the Investor Relations website to facilitate investors’ access to information.

• From 01 January 2009, a “Follow-up” process has been introduced in Internal Audit reports in order to monitor the risks that were shared with the Board of Directors. During the process that was also approved by the Audit Committee, process owners were expected to follow-up the risks indicated on the basis of the 4T approach; i.e. “Terminate”, “Tolerate”, “Treat”, and “Transfer”, using one or more of these elements in combination. Risk management approaches adopted and implemented accordingly have been regularly shared with the Board of Directors at appropriate intervals using follow-up reports. The approach espoused in 2009 continued to be implemented in 2010. Internal audit activities served to ensure that risks shared with the Board of Directors were followed-up, these risks were adopted also by process owners, and activities were intensified to eliminate risks. By way of the follow-up reports, residual risks assumed were also shared with the Board of Directors, thereby building up the flow of information about the Company. “Zorlu Holding Inc. Internal Audit Department Risk-Based Internal Audit Approach”, which was a work in progress, has been brought to fruition and presented to the senior management during 2010; sanctioned by the senior management, it was agreed to be implemented as a systematic audit methodology.

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 surety ship, 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.

Corporate Governance Principles Compliance Report

PART I- SHAREHOLDERS

1.1. 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 is as follows:

Department Director: Figen Çevik

Address: Vestel Şirketler Grubu Zorlu Plaza 34310 Avcılar – İstanbul

Phone: (212) 422 01 07

Email: yatirimci@vestel.com.tr

• The principal activities carried out by the Corporate Finance and Investor Relations Department and the conferences attended in 2010 on behalf of Vestel White Goods Inc. are summarized below:

• Nearly 50 one-on-one meetings were held with investors and analysts.

• During the reporting period about 75 questions were responded to by e-mail and about 100 by telephone.

• Participation was secured in three conferences organized by brokerage houses and one roadshow.

• 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.

1.2. SHAREHOLDERS' EXERCISE OF THEIR RIGHT TO OBTAIN INFORMATION

• During 2010, information requests on various topics were received from the shareholders and stakeholders. The breakdown of the content of these queries is presented below:

- 10% on share price
- 20% on various topics
- 70% on operational and financial performance.

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.

• Material event disclosures and Vestel White Goods website were the tools used in 2010 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. No need was felt to make a dedicated arrangement since this right is intended for minority shareholders owning 5% of the capital in publicly-held joint stock corporations pursuant to Article 11 of the Capital Market Law. The Company received no requests for the appointment of a special auditor in the reporting period.

1.3. INFORMATION ABOUT GENERAL MEETINGS

• Vestel White Goods Inc. held its general meeting for 2009 at 11:00 AM on 26 May 2010 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 due time in the Turkish Trade Registry Gazette issue 7553 dated 29 April 2010 and on Milliyet and Dünya newspapers, both dated 29 April 2010, as well as on the corporate website at www.vestel.com.tr. 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.

• Out of 190,000,000 shares corresponding to the Company's total capitalization of TL 190,000,000.00, 138,487,994 shares representing TL 138,487,994.00 in capital were present in person at the meeting. The General Meeting convened with an attendance ratio of 72.89%. No proxy votes were cast.

Corporate Governance Principles Compliance Report

• 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. 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 headquarters. 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.

1.4. 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.

1.5. 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 Vestel White Goods Inc. Board of Directors meeting held on 02 May 2008 at the Company headquarters no: 2007/8, 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.

• In line with the decision passed at the meeting no. 2010/9 held by Vestel White Goods Inc. Board of Directors at the Company headquarters on 26 April 2010, the proposal regarding the year 2009 profit contained in the Company's 2009 General Meeting agenda (Article 12) has been explained to the attendants, which was unanimously ratified at the General Meeting, and profit distribution took place within the legally prescribed period of time.

1.6. TRANSFER OF SHARES

• The Company's articles of incorporation contain no provisions restricting the transfer of shareholding interests.

PART II- PUBLIC DISCLOSURE AND TRANSPARENCY

2.1. 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 2010. Revised Disclosure Policy was presented for the information of shareholders and participants at the 2009 Ordinary General Meeting held on 26 May 2010. 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:
  - Ensuring that public disclosures are made in a complete, fair, accurate, timely, comprehensible manner and are made equally and easily accessible to all.
  - Individuals authorized to handle the development, implementation and improvement of the disclosure policy and individuals authorized to make public disclosures.
  - Methods and tools of disclosure
  - Public disclosure of financial reports and authorized individuals
  - Public disclosure of material events and authorized individuals
  - Written/verbal statements-press releases-conferences and individuals authorized to make public disclosures
  - Disclosure of future-oriented information
  - Prohibited disclosure/quiet period
  - The website
  - Following up on news, rumors, and speculations
  - Criteria used in the designation of individuals with administrative responsibility
  - Confidentiality protection procedure for internal data
- The Board of Directors has formulated and approved the Company's public disclosure policy. The Board of Directors is responsible for the implementation, development and oversight of the Disclosure Policy. The observation and follow-up of all kinds of issues relating to public disclosure is under the responsibility of executives in charge of financial management and reporting, and Investor Relations Directorate. These executives perform their duties in close cooperation with Corporate Governance Committee, Audit Committee and Board of Directors.

2.2. DISCLOSURE OF MATERIAL EVENTS

- A total of 45 material event disclosures were made in 2010 pursuant to CMB regulations. No additional information was requested by the ISE concerning disclosures.
- Vestel White Goods Inc.'s shares are not quoted on any overseas stock exchange.
- No delays occurred in any material event disclosures made to date, and all such disclosures were made in time.
- The Investor Relations Unit is responsible for making material event disclosures.

2.3. 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

2.4. 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%.

• 74.81% stake in Vestel Electronics Inc., the Company's principal shareholder, is owned by Collar Holding BV, which is wholly-owned by Ahmet Nazif Zorlu.

2.5. 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.

• The list of the personnel with regular access to internal data is prepared by the Investor Relations Directorate pursuant to CMB's Communique Serial VIII No.54 and updated whenever there is a change The individuals recorded in the list are re-notified in writing by obtaining their signature on the subject of obligations defined in the relevant legislation and the sanctions applicable in case of abusive use and improper distribution of such data. The individuals in the list are not authorized to disclose the internal data to other parties, including their family members, before its official release to public; they cannot make comments and declare opinion on the undisclosed internal data relating to Company's shares. If an opinion is declared or disclosure is made to the third parties about the internal data, the Company shall immediately make a material event disclosure on the subject.

PART III- STAKEHOLDERS

3.1. 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 Inc. pays customer visits in conjunction with the Group's marketing companies. 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.

3.2. 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.

3.3. HUMAN RESOURCES POLICY

• Human Resources processes are carried out by Vestel Human Resources Division that reports to Zorlu Holding Human Resources Coordinator. The Division's organization covers the Human Resources and Training Department and Human Resources and Industrial Relations Department, and tasks falling under administrative affairs are handled by the Human Resources and Industrial Relations Department. Zorlu Holding Human Resources Coordinator also holds a seat on the Executive Board of Vestel Group. This ensures continuity of information flow to the management in all kinds of employee-related matters.

• The Company's human resources policy is put 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 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.

  • Vestel Group has in place a performance appraisal system for the 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. Results from the performance appraisal system are utilized in remuneration, training and career development processes.

  • A work evaluation was performed using Hay Group's grade system criteria, thereby exposing the grading structure of the employees. A remuneration policy was set in view of this structure, and a pay system has been built which is managed through adjustments made in line with the current conditions.

  • 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.

  • There are two different types of career advancement mechanisms, which are promotion and horizontal advancement. The system is run at intervals set out in the guidelines.

  • 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.

  • The corporate portal and the e-mail system are used for the purposes of periodic information provision to employees. Each unit holds internal meetings at certain intervals. 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).

  • 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.

  • 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. There were no complaints from employees concerning discrimination.

3.4. 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.

Corporate Governance Principles Compliance Report

3.5. 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. 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.

• With its environmental policy, Vestel White Goods targets an approach that maintains and enhances the quality of life of its employees and customers. Under the light of the environmental policy adopted, the Company pledges to:

- take into account the environment factor when considering new products, projects and operations;
- reduce the use of harmful materials in the product design and production processes, and investigate into less contaminant materials;
- take on activities for waste reduction, reuse, recycling and recovery;
- ensure savings in energy, water and natural resources by encouraging increased productivity and employment of new technology;
- Use recycled packaging material whenever feasible;
- organize activities that raise and promote environmental awareness;
- comply with the environmental legislation and administrative regulations in force.

• The Company holds ISO 14001 Environmental Management System certification.

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 is planning to establish an Energy Management System in 2011. Efforts are undertaken across the entire company and predominantly at auxiliary facilities in an attempt to reduce the Company's energy intensity.

• 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

4.1. Structure and composition of the Board of Directors; non-executive board members

Name	Position	Age	Term of office	Classification	Educational background	Previous Experience
Ahmet Nazif Zorlu	Chairman	66	1 year	Non-executive	Primary School	
Ekrem Pakdemirli	Vice Chairman	71	1 year	Independent	University	- Member of the Parliament - Deputy Prime Minister - Faculty member of Bilkent, Başkent and Ege Universities - Deputy Rector with Dokuz Eylül
Olgun Zorlu	Board Member	45	1 year	Non-executive	University	Served successively in various Zorlu Group companies
Ömer Yüngül	Board Member	55	1 year	Executive	University	Vestel White Goods(General Manager)
Enis Turan Erdoğan	Board Member	55	1 year	Executive	University	- Ekinciler Holding
Recep Yılmaz Argüden	Board Member	52	1 year	Independent	University	Chief Consultant to the Prime Minister - Chairman of Erdemir
Bekir Cem Köksal	Board Member	43	1 year	Executive	University	Vestel Electronics Financial Affairs Officer

• Four of the board's seven members are non-executive members and three are executive members.

• The chairman of the board and the chief executive officer are different individuals. The chairman of the board is Ahmet Nazif Zorlu and the chief executive officer of Vestel Group of Companies is Ömer Yüngül.

• Board members Ekrem Pakdemirli and Recep 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.

4.2. 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.

4.3. MISSION, VISION AND STRATEGIC GOALS OF THE COMPANY

• The mission, vision, goals and core values of Vestel Group 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.

4.4. 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.

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• 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.

4.5. 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.

4.6. 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 when it is deemed necessary. The Board met a total of 27 times during 2010. The overall rate of attendance at these meetings was 87%. 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 Vestel Group notifies board members of meetings at least a week (seven days) in advance of the meeting date, providing them with the agenda and documents related to the matters on the agenda.

• In principle, in matters where difference of opinions are voiced by the members at a Board meeting, reasonable and detailed justifications for dissenting votes must be entered into the record. In addition, justifications for dissenting votes relating to matters in which independent members voiced different opinions are publicly disclosed. However, to date there has never been an instance of difference of opinions either on the part of independent or other members.

• Board members are personally present at board meetings that will vote on the issues stipulated in article 2.17.4 of section IV of CMB's corporate governance principles as requiring the actual attendance of board members at meetings.

• No board members, including the chairman, have preferential voting rights or the right to veto board decisions. Each member, including the chairman, possesses an equal vote.

4.7. 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 3/4 of the attendants at the general meeting.

• No board member did any business with the Company in 2010, nor were there any matters that might lead to competition with the Company or any conflict of interest.

4.8. 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.

4.9. NUMBER, STRUCTURE, AND INDEPENDENCY OF COMMITTEES ESTABLISHED BY THE BOARD OF DIRECTORS

• 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.

Audit Committee

• 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 Bekir Cem Köksal.

• 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). Accordingly, the Audit Committee met four times during 2010.

• The minutes and decisions of the Audit Committee are recorded and archived by the secretariat.

• The committee carries out its activities in accordance with detailed working principles that have been written up. The activities of the Audit Committee in 2010 were as follows:

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

Corporate Governance 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 Recep 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. In keeping with this requirement, the Corporate Governance Committee met three times in 2010.

• 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 2009 consisted of:

- Establishing corporate governance principles throughout the Company,
- Developing recommendations pertaining to the structure and effectiveness of the Board of Directors,
- Reviewing the activities of the Investors Relations Unit and presenting recommendations in this context.

4.10. 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.

• Board of Directors members of Vestel White Goods Inc. were paid a total gross of TL 70,000 as attendance fee in 2010, commensurate with the practices of the peer companies in the sector. Statutory Auditors are paid an annual fee of TL 2,640.00 gross. The amounts for 2011 will be decided at the 2010 Ordinary General Meeting. No other benefits are provided to the Board of Directors 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 surety ship in their favor.

Resolution of the Board of Directors

RESOLUTION DATE : 09.03.2011

RESOLUTION NO : 2011/3

PARTICIPANTS : Ahmet Nazif ZORLU

Ekrem PAKDEMİRLİ

Olgun ZORLU

Ömer YÜNGÜL

B. Cem KÖKSAL

Enis Turan ERDOĞAN

Recep Yılmaz ARGÜGEN

MEETING AGENDA : Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. Financial Statements for the period ending 31 December 2010

The Board of Directors of VESTEL BEYAZ EŞYA SANAYİ ve TİCARET ANONİM ŞİRKETİ convened at the Company's headquarters, and presided by Mr. Ahmet Nazif ZORLU, the Board UNANIMOUSLY passed a decision to;

ratify the balance sheets of VESTEL BEYAZ EŞYA SANAYİ ve TİCARET ANONİM ŞİRKETİ as of 31 December 2010 and for the Company's income statements for the period ending on the date, as well as other financial statements and the Board of Directors Annual Report, and to post them as is on the Public Disclosure Platform.

BOARD OF DIRECTORS

Ahmet Nazif ZORLU	Ekrem PAKDEMİRLİ	Olgun ZORLU	Ömer YÜNGÜL
Chairman	Vice Chairman	Board Member	Board Member
B. Cem KÖKSAL	Enis Turan ERDOĞAN	Recep Yılmaz ARGÜGEN	
Board Member	Board Member	Board Member	

Statutory Auditor's Report Summary

TO THE GENERAL ASSEMBLY OF VESTEL BEYAZ EŞYA SAN. VE TİC. A.Ş.

Title of Association	Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi
Center	Zorlu Plaza, Avcılar-İstanbul
Capital	TL 190,000,000.-
Field of Activity	Production of refrigerator, air-conditioner, laundry and cooking home instruments.
Auditor(s) name, period in office, being partner or company's personnel	Şerif ARI – 1 Year Ahmet G. HIZARCI – 1 Year not partner nor personnel
Number of Board Meetings and Audit Commission meetings	5-11
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 five 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.

We have audited the accounts and transactions of Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi at the period of 01.01.2010-31.12.2010 in accordance with Turkish Trade Law, association's primary agreement, other regulations and general accounting principles.

In our opinion, the attached balance sheet drawn up on 31 December 2010, the contents of which we acknowledge, fairly and accurately presents the Company's financial status on the date, and the income statement for the period 01 January 2010 – 31 December 2010 fairly and accurately presents the operating results for the period.

We propose that the balance sheet and income statement be approved and that the members of the Board of Directors be acquitted of their fiduciary responsibilities. 31 March 2011

Şerif ARI
Auditor

Ahmet G. HIZARCI
Auditor

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Financial Statements at 31 December 2010 Together with Auditors' 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 statement of financial position of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. (the Company") as at 31 December 2010 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.

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 2010, 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

Istanbul, 09.03.2011

Statements of Financial Position at 31 December 2010 and 2009

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

Assets	Note	2010	2009
Current assets			
Cash and cash equivalents	5	19.552	112.041
Financial assets held for trading	6	14.947	14.040
Trade receivables	7	444.066	347.320
Inventories	8	162.082	131.131
Other assets	9	28.114	16.526
Total current assets		**668.761**	**621.058**
Non-current assets			
Trade receivables		--	120
Property, plant and equipment	10	277.767	292.925
Intangible assets	11	22.098	14.388
Deferred tax asset	16	5.295	3.059
Total non-current assets		**305.160**	**310.492**
Total assets		**973.921**	**931.550**

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

Statements of Financial Position at 31 December 2010 and 2009

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

Liabilities and equity	Note	2010	2009
Current liabilities			
Borrowings	12	79.985	67.400
Trade payables	13	270.984	195.797
Taxation on income	16	--	4.621
Provision for expenses	14	14.223	5.595
Other liabilities	15	7.401	5.410
Total current liabilities		**372.593**	**278.823**
Non-current liabilities			
Borrowings	12	66.996	42.932
Employee termination benefits	17	7.231	4.150
Deferred tax liability	16	11.070	11.771
Total non-current liabilities		**85.297**	**58.853**
Equity			
Share capital	18	205.720	205.720
Share premium		109.031	109.031
General reserves		201.280	279.123
Total equity		**516.031**	**593.874**
Commitments and contingencies	19	--	--
Total liabilities and equity		**973.921**	**931.550**

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

Statements of Comprehensive Income for the Years Ended 31 December 2010 and 2009

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

	Note	2010	2009
Revenue	20	1.424.256	1.297.296
Cost of sales	21	(1.318.387)	(1.075.335)
Gross profit		**105.869**	**221.961**
Research and development expenses		(13.865)	(10.039)
Selling expenses		(40.399)	(28.989)
General and administrative expenses		(21.985)	(15.612)
Other income	23	3.847	8.190
Other expense	23	(2.959)	(7.446)
Operating profit		**30.508**	**168.065**
Financing income	24	97.719	117.012
Financing expense	24	(99.999)	(143.161)
Profit before taxation		**28.228**	**141.916**
Taxation on income	16	(3.667)	(25.199)
Net profit for the year		**24.561**	**116.717**
Comprehensive income (expense)		--	--
Total comprehensive income for the year	4	**24.561**	**116.717**
Basic and fully diluted earnings per share (TL, full)		**0,13**	**0,61**

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

Statements of Changes in Equity for the Years Ended 31 December 2010 and 2009

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

	Share capital	Share premium	General reserves	Total equity
Balance at 01 January 2009	**205.720**	**109.031**	**168.204**	**482.955**
Dividends paid	--	--	(5.798)	(5.798)
Transactions with owners	205.720	109.031	162.406	477.157
Net profit for the year	--	--	116.717	116.717
Other comprehensive income	--	--	--	--
Balance at 01 January 2010	**205.720**	**109.031**	**279.123**	**593.874**
Dividends paid	--	--	(102.404)	(102.404)
Transactions with owners	205.720	109.031	176.719	491.470
Net profit for the year	--	--	24.561	24.561
Other comprehensive income	--	--	--	--
Balance at 31 December 2010	**205.720**	**109.031**	**201.280**	**516.031**

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Statements of Cash Flows for the Years Ended 31 December 2010 and 2009

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

	Note	2010	2009
Profit before taxation		**28.227**	**141.916**
Adjustment to reconcile profit before taxation to net cash provided from operating activities:			
Depreciation expense	10	49.123	48.601
Amortization charge	11	3.752	5.742
Provision for employee termination benefits	17	4.063	3.309
Provision for diminution in value of inventories	8	(1.808)	(2.636)
Unearned interest on receivables	24	3.076	3.234
Unearned interest on payables	24	(3.188)	(5.142)
Interest income	24	(1.274)	(5.348)
Interest expense	24	3.245	15.931
Provision for financial assets available for sale		(506)	(1.043)
Forward expense accruals	14	5.909	--
Provision for expense accruals	14	8.628	423
Profit on sale of property, plant and equipment		(238)	(125)
Loss on sale of property, plant and equipment		77	--
Operating profit before changes in working capital		**99.086**	**204.862**
Trade receivables		(99.702)	(116.602)
Inventories		(29.143)	12.604
Other assets		(11.588)	4.772
Trade payables		78.375	(64.469)
Other liabilities		(4.900)	(1.645)
Taxes paid		(11.225)	(23.054)
Net cash provided by operating activities		**20.903**	**16.468**
Cash flows from investing activities			
Purchases of property, plant and equipment	10	(34.325)	(14.873)
Purchases of intangible assets	11	(12.705)	(10.009)
Changes in financial assets held for trading		(401)	(12.997)
Proceeds from sale of property, plant and equipment		1.764	1.341
Net cash used in investing activities		**(45.667)**	**(36.538)**
Cash flows from financing activities			
Proceeds from borrowings		136.191	293.750
Repayment of borrowings		(100.054)	(266.822)
Dividend paid		(102.404)	(5.798)
Interest received		1.274	5.348
Interest paid		(2.732)	(13.995)
Net cash provided by (used in) financing activities		**(67.725)**	**12.483**
Net decrease in cash and cash equivalents		**(92.489)**	**(7.587)**
Cash and cash equivalents at beginning of year		**112.041**	**119.628**
Cash and cash equivalents at end of year	5	**19.552**	**112.041**

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

Notes to Financial Statements for the Year Ended 31 December 2010

(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 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 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, room air conditioning units, washing machines, cookers, dishwashers and water heaters. 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 from the opening balances of the assets, liabilities and equity accounts as of 1 January 2006.

The Company maintains its books of account and prepares their statutory financial statements in Turkish Lira ("TL") in accordance with the Turkish Commercial Code, tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The accompanying financial statements have been prepared on the basis of the Company's statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

2.3 Comparable financial information and reclassification of prior period financial statements

The balance sheets with the accompanying notes as of 31.12.2010 and 2009 and statement of income, cash flow and changes in equity with the accompanying notes for the twelve months period ended 31.12.2010 and 2009 are presented as comparatively.

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

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

a) Standards, amendments and interpretations effective in 2010:

• Annual Amendments to IFRS in 2009

• IFRS 2 "Share Based Payment"

• IAS 39 "Financial Instruments: Recognition and Measurement"

• IFRS 3 "Business Combinations" and IAS 27 "Consolidated and Separate Financial Statements"

• IFRIC 17, "Distributions of Non-cash Assets to Owners"

• IFRIC 18, "Transfers of Assets from Customers"

b) Standards, amendments and interpretations effective in 2011 but not early adopted by the Company:

• IAS 24, "Related party disclosure"

• IFRIC Interpretation 19 "Extinguishing Financial Liabilities with Equity Instruments"

• IFRIC Interpretation 14 "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

• IAS 32 "Financial Instruments: Presentation"

• IFRS 9, "Financial Instruments: Measurement and reclassification"

• IFRS 1 "First Time Adoption of International Financial Reporting Standards"

• IFRIC 9 "Reassessments of Embedded Derivatives"

• IAS 12 "Income Taxes"

• Annual Amendments to IFRS in May 2010

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.

2.5 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.

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date and the significant judgments 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 14.

- 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.

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

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 2010 and 2009, the foreign exchange rates used by the Company are as follows:

	2010	2009
US Dollar	1,5460	1,5057
EUR	2,0491	2,1603

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.

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 – 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 using the straight-line 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).

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. Borrowing costs of qualifying assets are not added to the cost of those assets for the period during which construction to get them ready for their intended use or sale is suspended. 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 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.

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 Labour 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.

Financial assets held for trading

Financial assets held for trading are either acquired for generating a profit from short-term fluctuations in price or dealers' margin, or included in a portfolio in which a pattern of short-term profit making exists.

Financial assets at fair value through profit or loss are initially recognised at cost and are subsequently re-measured at fair value based on quoted bid prices. All related realised and unrealised gains and losses are included in the consolidated income statement.

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 labour 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.

Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency risk exposures. The Company engages in cross currency forward contracts.

Derivatives are recognized initially at fair value; attributable transaction costs are recognised in statement of income when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes in the fair value of such derivatives are recognised in the statement of income as part of finance income and costs.

Income taxes

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

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

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

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

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.

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

4. EARNING PER SHARE

	2010	2009
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	24.561	116.717
Weighted average number of ordinary shares in issue	190.000.000	190.000.000
Basic and diluted earnings per share (TL, full)	**0,13**	**0,61**

5. CASH AND CASH EQUIVALENTS

	2010	2009
Cash in hand	57	40
Cash at banks		
- Demand deposit	14.076	27.475
- Time deposit	5.419	84.526
	19.552	**112.041**

As of balance sheet dates, the maturity date of time deposit account was 03.01.2011 (31.12.2009: 05.01.2010) and the interest rate is given below:

- TL	8,7%	6,8%
- USD	--	1,5%
- EUR	0,5% - 2,5%	0,9%

6. FINANCIAL ASSETS HELD FOR TRADING

	2010	2009
Financial assets held for trading	**14.947**	**14.040**

Financial assets held for trading was purchased on 16.04.2009.

As of 31.12.2010, valuation of bonds resulted a fair value loss which was accounted under financing expenses amounting to TL 537 (31.12.2009: TL 1.043).

7. TRADE RECEIVABLES

	2010	2009
Current		
- Third parties	1.641	1.338
- Related parties, note 25	299.781	266.814
Notes receivable		
- Related parties, note 25	141.423	81.306
Others	3.874	--
	446.719	349.458
Unearned interest on receivables (-)	(2.615)	(2.100)
Allowance for doubtful receivables (-)	(38)	(38)
	444.066	**347.320**

Notes to Financial Statements for the Year Ended 31 December 2010

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

8. INVENTORIES

	2010	2009
Raw materials	110.798	87.052
Work in process	5.043	4.559
Finished goods	46.106	41.551
Merchandise	611	256
Spares and supplies	122	119
	162.680	133.537
Provision for diminution in value (-)		
Raw materials	(440)	(1.656)
Finished goods	(158)	(750)
	162.082	**131.131**

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

Opening balance, 01 January	**(2.406)**	**(5.042)**
Charge for the year	--	2.636
Disposal of impaired stocks during the year	1.808	--
Ending balance, 31 December	**(598)**	**(2.406)**

9. OTHER ASSETS

	2010	2009
Prepaid expenses	1.664	1.627
VAT receivable	24.401	13.893
Due from personnel	86	66
Prepaid taxes	1.188	--
Other	775	940
	28.114	**16.526**

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

10. PROPERTY, PLANT AND EQUIPMENT

	01.01.2010	Additions	Disposals	Transfers	31.12.2010
Cost					
Land	6.844	--	--	--	6.844
Land improvements	2.722	21	--	--	2.743
Buildings	63.552	213	--	5	63.770
Leasehold improvements	1.581	168	--	42	1.791
Plant and machinery	467.210	1.777	(13.354)	17.256	472.889
Motor vehicles	290	43	--	--	333
Furniture and fixtures	17.715	1.825	(323)	869	20.086
Construction in progress	3.587	30.278	--	(18.172)	15.693
	563.501	**34.325**	**(13.677)**	**--**	**584.149**
Accumulated depreciation					
Land improvements	1.460	159	--	--	1.619
Buildings	18.537	2.416	--	--	20.953
Leasehold improvements	1.236	295	--	--	1.531
Plant and machinery	237.669	43.825	(13.025)	--	268.469
Motor vehicles	180	39	--	--	219
Furniture and fixtures	11.494	2.389	(292)	--	13.591
	270.576	**49.123**	**(13.317)**	**--**	**306.382**
Net book value	**292.925**				**277.767**

	01.01.2009	Additions	Disposals	Transfers	31.12.2009
Cost					
Land	6.844	--	--	--	6.844
Land improvements	2.711	4	--	7	2.722
Buildings	63.508	44	--	--	63.552
Leasehold improvements	1.507	3	--	71	1.581
Machinery and equipment	445.706	1.805	(57)	19.756	467.210
Motor vehicles	578	79	(367)	--	290
Furniture and fixtures	16.581	822	(3)	315	17.715
Construction in progress	11.620	12.116	--	(20.149)	3.587
	549.055	**14.873**	**(427)**	**--**	**563.501**
Accumulated depreciation					
Land improvements	1.302	158	--	--	1.460
Buildings	16.136	2.401	--	--	18.537
Leasehold improvements	755	481	--	--	1.236
Machinery and equipment	194.532	43.144	(7)	--	237.669
Motor vehicles	381	53	(254)	--	180
Furniture and fixtures	9.131	2.364	(1)	--	11.494
	222.237	**48.601**	**(262)**	**--**	**270.576**
Net book value	**326.818**				**292.925**

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.

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

Leased assets included in the table above comprise plant and machinery amounting to TL 9.290 net of accumulated depreciation. (2009: TL 13.772).

As of 31.12.2010, property, plant and equipment were insured for TL 705.580 (2009: TL 666.368).

11. INTANGIBLE ASSETS

	01.01.2010	Additions	Disposals	31.12.2010
Cost				
Rights	6.637	2	--	6.639
Development cost	28.364	12.035	(1.422)	38.977
Other intangible assets	1.635	668	--	2.303
	36.636	**12.705**	**(1.422)**	**47.919**
Accumulated amortization				
Rights	6.624	2	--	6.626
Development cost	14.486	3.452	(179)	17.759
Other intangible assets	1.138	298	--	1.436
	22.248	**3.752**	**(179)**	**25.821**
Net book value	**14.388**			**22.098**

	01.01.2009	Additions	Disposals	31.12.2009
Cost				
Rights	6.625	12	--	6.637
Development cost	19.759	9.656	(1.051)	28.364
Other intangible assets	1.294	341	--	1.635
	27.678	**10.009**	**(1.051)**	**36.636**
Accumulated amortization				
Rights	6.622	2	--	6.624
Development cost	9.025	5.461	--	14.486
Other intangible assets	859	279	--	1.138
	16.506	**5.742**	**--**	**22.248**
Net book value	**11.172**			**14.388**

Rights mainly comprise computer software development costs and software licenses. Development cost principally comprise internally generated expenditure on development costs on refrigerator, room air conditioning unit projects, washing machine, cookers and dishwasher factories where it is reasonably anticipated that the costs will be recovered through future commercial activity.

12. BORROWINGS

	2010	2009
Current		
Turkish Lira bank loans	30.228	--
Foreign currency bank loans	49.757	67.400
	79.985	**67.400**
Non-current		
Foreign currency bank loans	**66.996**	**42.932**

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

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 31.12.2010, the Company's borrowings under these facilities included a short term payable of TL 14.665 (2009: TL 20.346) and long term payable of TL 20.472 (2009: TL 42.932). 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 31.12.2010, The Company also obtained various Turkish Lira and foreign currency bank loans for operational purposes which included a short term payable of TL 65.320 (TL 30.228, EUR 17.126 thousand), (2009: TL 47.054 (USD 19.715 thousand, EUR 8.040 thousand)) and long term payable of TL 46.524 (EUR 22.705 thousand). The annual interest rate is 9,2% for TL and 1,58% - 2,72% for EUR.

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

	2010	2009
Due in one year	79.985	67.400
One to two years	54.452	21.652
Two to three years	4.757	8.203
Three to four years	4.592	4.941
Four to five years	3.040	4.790
Over five years	155	3.346
	146.981	110.332

13. TRADE PAYABLES

	2010	2009
Current accounts		
- Third parties	268.281	192.640
- Related parties, note 25	3.791	3.618
Other	--	--
	272.072	196.258
Unearned interest on payables (-)	(1.088)	(461)
	270.984	195.797

14. PROVISION FOR EXPENSES

	2010	2009
Warranty provision	7.861	5.327
Forward provision expense	5.909	--
Expense accruals	453	268
	14.223	5.595

	Warranty expense	Expense accruals	Forward provision expense	Total
Beginning balance	5.327	268	--	5.595
Charge for the year	7.475	185	5.909	13.569
Disposals	(4.941)	--	--	(4.941)
Closing balance	7.861	453	5.909	14.223

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

15. OTHER LIABILITIES

	2010	2009
Income tax and social security payables	4.753	3.794
Due to personnel	2.634	1.609
Other	14	7
	7.401	5.410

16. TAXATION ON INCOME

a. Current taxation

	2010	2009
Current	(6.604)	(27.676)
Deferred	2.937	2.477
Taxation on income	(3.667)	(25.199)

In Turkey, the corporation tax rate on the profits for the calendar year 2010 is 20% (2009: 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.

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

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

	2010	2009
Profit before tax	**28.227**	**141.916**
Income not subject to tax	1.565	(4.790)
Tax effect of permanent differences and valuation allowances, net	1.080	(7.010)
Research and development allowances	(9.890)	(6.649)
Disallowable expenses	(2.650)	2.526
Income subject to taxation	18.332	125.993
Tax calculated at a tax rate of 20% (2009: 20%)	3.667	25.199
Income tax expense	**3.667**	**25.199**

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

Corporation and income taxes	6.604	27.676
Prepaid taxes (-)	(6.604)	(23.055)
Corporation and income taxes payable	--	4.621
Deferred tax asset	(5.295)	(3.059)
Deferred tax liability	11.070	11.771
	5.775	**13.333**

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	
	2010	2009	2010	2009
Deferred tax asset				
Warranty expense provision	7.861	5.327	1.572	1.065
Employee termination benefits	7.231	4.150	1.446	830
Unearned interest on receivables	2.615	2.100	523	420
Provision for diminution in value of inventories	598	2.406	120	481
Provision for financial assets held for trading	537	1.043	107	209
Provision for forward transactions	5.909	--	1.182	
Other	1.718	268	345	54
			5.295	**3.059**
Deferred tax liability				
Temporary differences arising from restating non-monetary assets	54.262	58.033	10.852	11.607
Unearned interest on payables	1.088	462	218	92
Other	--	362	--	72
			11.070	**11.771**
			5.775	**8.712**

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

Deferred income taxes are calculated using a principal tax rate of 20% (2009:20%).

A reconciliation of the deferred tax expense is as follows:

	2010	2009
Opening balance, 01 January	**8.712**	**11.189**
Deferred tax (income) charge	(2.937)	(2.477)
Ending balance, 31 December	**5.775**	**8.712**

17. 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 2.517,01 as of 31 December 2010 (2009: TL 2.365,16) 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:

	2010	2009
Discount rate	10,0%	11,4%
Average yields	5,1%	4,8%

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

	2010	2009
Opening balance as of 1 January	**4.150**	**3.521**
Charge for the year	4.063	3.309
Disposals	(982)	(2.680)
Ending balance, 31 December	**7.231**	**4.150**
Number of personnel employed at the year end:	**4.485**	**3.709**

18. 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 2010 and 2009.

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.	68,5%	130.150
Shares held by public		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	4,1%	7.850
Other shareholders	27,4%	52.000
Share capital		190.000
Inflation adjustment of share capital		15.720
		205.720

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

19. COMMITMENTS AND CONTINGENCIES

a) Contingent asset

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

	2010	2009
Letters of guarantee	2.154	1.321
Cheques and notes	6.769	8.684
Guarantees received from related companies	355.232	28.608
Guarantees received from third companies	28.687	15.057

• Vestel Elektronik has guarantee to Royal Bank of Scotland PLC and HSBC Bank A.Ş. in favour of Vestel White for derivative operations.

b) Contingent liabilities

	2010	2009
A. Behalf of incorporated body	7.067	6.312
D. Other contingent liabilities		
i. Behalf of shareholders	1.596.523	904.538
ii. Behalf of group companies	468.193	237.905
Total	**2.071.783**	**1.148.755**

• Due to the export and investment incentive certificates obtained for tax purposes, the Company has committed to realize exports amounting to USD 91.036 thousand (2009: USD 181.727 thousand) as of 31.12.2010.

• 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 31.12.2010, the amount of VAT is TL 29.180 (2009: TL 29.415).

• The Company has given payment guarantee to various suppliers in favour of Vestel CIS Ltd ve Vestel Trade Ltd.

• The Company is the guarantor for the bank loans which have been borrowed 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 Pazarlama and Vestel Elektronik Sanayi ve Ticaret A.Ş. for derivatives.

• The Company has given guarantee to HSBC Bank A.Ş. in favour of Vestel Pazarlama and Vestel Elektronik Sanayi ve Ticaret A.Ş. for derivatives.

• The value of executive proceeding consumer lawsuits TL 144 (2009: TL 46) and the value of lawsuits which have been finalized in favour of the Company amounted TL 1.025 (2009: TL 214).

• As of the balance sheet dates operational lease commitments are shown below:

	2010	2009
Less than one year	6	201
More than one year and less than four years	79	54
	85	**255**

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

c) Derivatives

As of 31.12.2010, the Company has entered in forward exchange contracts amounting to USD 39.573 thousand, EUR 18.198 thousand and TL 134.030 on a fixed amount USD 12.537 thousand, TL 18.192, CHF 123 thousand, EUR 96.968 thousand.

20. REVENUE

	2010	2009
Domestic sales	460.771	363.608
Overseas sales	967.902	934.047
Gross sales	1.428.673	1.297.655
Sales discounts (-)	(4.417)	(359)
	1.424.256	**1.297.296**

Gross sales per currency segment are given below:

TL	460.771	363.608
EUR	740.823	735.418
USD	227.079	198.629
	1.428.673	**1.297.655**

21. COST OF SALES

	2010	2009
Cost		
Direct materials used	1.163.446	933.732
Direct labour	61.369	50.769
General overhead	54.995	46.732
Depreciation and amortization	43.328	43.103
Cost of goods produced	**1.323.138**	**1.074.336**
Changes in semi-finished goods		
Opening inventory	4.559	5.725
Closing inventory	(5.042)	(4.559)
Changes in finished goods		
Opening inventory	41.551	40.294
Closing inventory	(46.106)	(41.551)
Cost of goods sold	**1.318.100**	**1.074.245**
Purchased during the year	642	1.311
Opening merchandise inventory	256	35
Closing merchandise inventory	(611)	(256)
Cost of merchandise sold	**287**	**1.090**
Cost of sales	**1.318.387**	**1.075.335**

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

22. NATURE OF EXPENSES

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

	2010	2009
Direct materials and merchandise expenses	1.170.391	939.599
Changes in semi-finished goods and finished goods	(5.039)	(91)
Employee and sub-contracted personnel cost	84.440	68.221
Depreciation and amortization	50.781	49.228
Energy expenses	12.486	10.714
Outsourcing expenses	2.315	2.141
Travelling expenses	2.057	1.049
Consulting expenses	3.695	3.308
Rent expenses	7.153	7.227
Sales commission expenses	23.120	15.891
Office expenses	2.929	3.051
Insurance expenses	3.422	3.739
Freight expenses	6.641	5.411
Employee termination benefits	982	2.680
Taxes paid	2.010	1.582
Other	27.253	16.225
	1.394.636	**1.129.975**

23. OTHER INCOME AND EXPENSE

	2010	2009
Profit on sale of property, plant and equipment	238	125
Grant income	836	3.881
Other	2.773	4.184
Other income	**3.847**	**8.190**
Idle capacity expenses	2.613	6.639
Provision for diminution in value of inventories	--	432
Loss on sale of property, plant and equipment	77	--
Other	269	375
Other expense	**2.959**	**7.446**

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 2010 and 2009.

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

24. FINANCING INCOME AND FINANCING EXPENSE

	2010	2009
Foreign exchange gain	63.450	95.465
Fair value gains on financial assets held for trading	1.043	492
Interest income from bank deposits	1.274	5.348
Interest income from term sales	255	10.103
Fair value gains on forward exchange contracts	28.509	462
Unearned interest on payables	3.188	5.142
Financing income	**97.719**	**117.012**
Foreign exchange loss	73.979	109.707
Bank loans interest expense	3.245	15.931
Interest expense from term purchases	1.950	532
Fair value losses on financial assets held for trading	537	1.808
Letters of credit expenses	3.416	7.063
Bank commission expenses	43	60
Unearned interest on receivables	3.076	3.234
Fair value losses on forward exchange contracts	13.715	4.510
Other	38	316
Financing expense	**99.999**	**143.161**

25. 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
2010		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	--	2.991
Vestel Holland B.V.	--	637
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	147.449	--
Vestel CIS Limited	9.694	--
Vestel Dış Ticaret A.Ş.	284.061	--
Other related parties	--	163
	441.204	**3.791**
2009		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	2.088	--
Vestel Holland B.V.	--	3.583
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	90.764	--
Vestel CIS Limited	9.182	--
Vestel Dış Ticaret A.Ş.	246.083	--
Other related parties	3	35
	348.120	**3.618**

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

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

	Sales	Purchases	Financing income	Financing expense
2010				
Vestel Elektronik Sanayi ve Ticaret A.Ş.	13.941	6.369	1.409	2.105
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	274.715	18.467	362	715
Vestel Dış Ticaret A.Ş.	962.959	6.797	16.461	24.804
Other related parties	331	1.072	1.711	1.440
	1.251.946	32.705	19.943	29.064
2009				
Vestel Elektronik Sanayi ve Ticaret A.Ş.	14.734	6.488	9.569	862
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	243.081	5.737	4.313	19
Vestel Dış Ticaret A.Ş.	927.288	11.037	14.538	14.730
Other related parties	6.002	298	742	802
	1.191.105	23.560	29.162	16.413

As of the balance sheet dates, key personnel's salaries and other short term benefits are amounted to TL 2.143 (31.12.2009: TL 2.042).

26. 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.

Notes to Financial Statements for the Year Ended 31 December 2010

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

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

	Receivables						
	Trade receivables		Other receivables				
	Related parties	Third parties	Related parties	Third parties	Bank amounts	Derivatives	Other
Maximum exposure to credit risk as of 31.12.2009 (A+B+C)	**346.031**	**1.409**	**--**	**16.526**	**112.001**	--	40
- Secured portion of maximum credit risk with collateral	--	750	--	--	--	--	--
A. Carrying amount of financial assets that are not overdue and not impaired	336.936	1.392	--	16.526	112.001	--	40
B. Carrying amount of financial assets whose terms were renegotiated, otherwise are overdue and impaired	9.095	17	--	--	--	--	--
- Carrying amount secured with collateral	--	750	--	--	--	--	--
C. Carrying amount of assets that are impaired		--				--	
- Overdue (gross carrying amount)	--	38	--	--	--	--	--
- Impairment	--	(38)	--	--	--	--	--
- Carrying amount secured with collateral	--	--	--	--	--	--	--

Aging of overdue trade receivables is given below:

	Trade receivables
2010	
Not more than 30 days	174
Within 1 month to 3 months	9
Within 3 months to 12 months	2.334
Over 12 months	7.369
	9.886
2009	
Not more than 30 days	1
Within 1 month to 3 months	385
Within 3 months to 12 months	8.726
Over 12 months	38
	9.150

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

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 it strives to balance off the dates of changes in interest rates related to assets and liabilities.

	2010	2009
Fixed interest rate financial instruments		
Financial assets-time deposits	5.419	84.526
Financial liabilities	111.844	6.521
Variable interest rate financial instruments		
Financial assets	--	--
Financial liabilities	35.137	103.810

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

2010 (%)	USD	EUR	TL
Assets			
Cash and cash equivalents	--	1,45	8,7
Trade receivables	0,31	0,61	6,53
Liabilities			
Borrowings	--	1,89	7,69
Trade payables	0,3	0,8	6,6

2009 (%)	USD	EUR	TL
Assets			
Cash and cash equivalents	1,5	0,9	6,8
Trade receivables	0,6	0,7	7,3
Liabilities			
Borrowings	5,4	2,3	--
Trade payables	0,2	0,5	7,3

All other variables are held constant, if the interest rate applied to the Company increase/decrease by 1 point as of 31.12.2010, net income will increase/(decrease) by TL 170 (31.12.2009: TL 304).

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.

(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 overall financing is as follows:

	2010	2009
Total borrowings	146.981	110.332
Less: Cash and cash equivalents	(19.552)	(112.041)
Net debt	**127.429**	**(1.709)**
Total equity	516.031	593.874
Overall financing	**643.460**	**592.165**

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.

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

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:

2010	Book value	Total cash out flow	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years
Contractual maturities						
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	--	--
	292.608	293.696	249.040	44.656	--	--

2009	Book value	Total cash out flow	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years
Contractual maturities						
Borrowings	110.332	113.173	33.787	34.443	41.284	3.659
Expected maturities						
Trade payables	195.797	196.259	192.156	4.103	--	--
Other liabilities	11.005	11.005	5.410	5.595	--	--
	206.802	207.264	197.566	9.698	--	--

However expected maturities may differ from contractual liabilities in response to changes in term that may occur in the ordinary course of business.

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.

Notes to Financial Statements for the Year Ended 31 December 2010

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

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. Additionally, the Company holds derivative financial instruments to hedge its foreign currency risk exposures. The Company engages in cross currency forward contracts.

	USD ('000)	EUR ('000)	GBP ('000)	TL equivalent
2010				
Cash and cash equivalents	1.228	8.031	6	18.369
Available-for-sale investments	9.668	--	--	14.947
Trade receivables	21.768	126.785	88	293.659
Total foreign currency assets	**32.664**	**134.816**	**94**	**326.975**
Trade payables	74.077	40.931	--	198.395
Current borrowings	--	24.283	--	49.757
Non-current borrowings	--	32.696	--	66.996
Total foreign currency liabilities	**74.077**	**97.910**	**--**	**315.148**
Net foreign currency position	**(41.413)**	**36.906**	**94**	**11.827**
Derivatives				
Assets	39.573	18.198	--	98.469
Liabilities	(12.357)	(96.968)	--	(217.801)
	27.216	**(78.770)**	**--**	**(119.332)**

	USD ('000)	EUR ('000)	GBP ('000)	TL equivalent
2009				
Cash and cash equivalents	12.575	22.542	9	67.655
Trade receivables	15.227	107.554	--	255.275
Total foreign currency assets	**27.802**	**130.096**	**9**	**322.930**
Trade payables	53.289	31.114	--	147.451
Current borrowings	19.715	17.458	--	67.400
Non-current borrowings	--	19.873	--	42.932
Total foreign currency liabilities	**73.004**	**68.445**	**--**	**257.783**
Net foreign currency position	**(45.202)**	**61.651**	**9**	**65.147**

On basis of the above an increase of 10% in the foreign exchange rates against the Turkish Lira as of 31 December 2010 will amount to a profit/loss of TL 10.750 (2009: TL 651) and a increase/decrease will amount to profit of the same amount.

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.

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 2010 will be held on 26 May 2011 at 11:00 am at the address of Zorlu Plaza, Avcılar-İstanbul.

Independent Auditor

Engin Bağımsız Denetim ve Serbest Muhasebecilik Mali Müşavirlik A.Ş.
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Bolkan Center No: 211 Kat: 2
34381 Şişli – 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.vestelyatirimciiliskileri.com as well as from Vestel Group Investor Relations Department by email or telephone.

Investor Relations

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