

VESTEL BEYAZ EŞYA **2011** ANNUAL REPORT

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## **One of the Europe's largest companies in its sector**

Vestel Beyaz Eşya, which is the symbol of trust and quality in Turkey, increases its brand value every day with the economical, environmentally friendly products it has developed. Vestel Beyaz Eşya gained a competitive advantage through its flexible production strategies and now ranks among the largest companies in the Europe with its production capacity and wide product line. Vestel Beyaz Eşya is committed to developing energy efficient products and actively supports their use. The Company proves its concern for the environment by undertaking large scale projects and promotional campaigns.

## VESTEL BEYAZ EŞYA IN BRIEF

# One of the largest white goods manufacturers in Europe thanks to its technological and design capabilities...

Vestel Beyaz Eşya has undertaken innovative projects since its foundation in 1997 and is today one of the largest white good producers in Europe in terms of production capacity. Supported by the innovative production and service expertise of its main partner Vestel Elektronik, and coupled with its know-how in the area of sustainable technologies, the Company produces flawless solutions to meet the needs of consumers.

The Company produces refrigerators, washing machines, cookers, dishwashers, air-conditioners and water-heaters in its facilities that occupy more than 312,000 square meters of enclosed area. With its advanced work in R&D, Vestel Beyaz Eşya is one of the leading companies in its sector. As the Company's product portfolio originates from its technological and design capabilities and its flexible and consumer-focused production, Vestel Beyaz Eşya products appeals to all customer segments.

Vestel Beyaz Eşya uses the most modern and up-to-date technology in its facilities thanks to its significant investments over the last 10 years. These factors provide the Company the economies of scale which results in operational efficiency, productivity and cost advantages. Vestel's key competitive advantages include flexible production capabilities, product differentiation competency, logistical advantages due to its proximity to European customers compared to its competitors in Asia and low labor costs compared to Europe.

Vestel Beyaz Eşya uses a two-pronged marketing strategy. In the European market, where it realizes most of its sales, the Company relies heavily on ODM services in addition to sales with its own regional brands. In Turkey, CIS and Middle East markets, the Company sells under its own brands, including the well-known Vestel brand.

Thanks to being one of the relatively new brands best utilizing the advantage of being a young player in the white goods sector, Vestel Beyaz Eşya's high value added, and innovative products have helped it become one of the 10 largest producers in Europe while it has increased its market share in the domestic market three-fold over the last 10 years. Vestel Beyaz Eşya currently ranks among the top three players in the domestic market.

Vestel strives to expand its customer base of millions of consumers in Turkey and across the world every day by increasing its distribution and service channels. Today, Vestel Beyaz Eşya's sales, distribution and service network includes the following, organized under Vestel Dayanıklı Tüketim Malları Pazarlama:

- 1,050 Vestel stores;
  - 650 dealers with Regal signage;
  - E-Store providing online sales;
  - 350 service centers;
- and in neighboring countries and in Europe under





Vestel Dış Ticaret A.Ş.:

- France, Germany, Spain, U.K., Netherlands, Finland, Russia, Romania international offices and local sales and distribution networks
- Through 1,804 stores in 13 neighboring countries in the Middle East, North Africa, Russia, and the CIS region, the Company contributes comfort and joy to the lives of consumers with high product and service quality.

Vestel Beyaz Eşya places strategic importance on R&D to ensure development and to enhance its competitiveness.

Vestel Beyaz Eşya has prioritized the development and manufacture of energy efficient products, one of the strongest trends in recent years, in its short and medium term strategic plans. By placing “friendly technology” at the heart of its brand,

Vestel has clearly demonstrated its commitment to the development of environment and people friendly technology, and manufacturing products that maximizes energy savings. The Company's R&D investments enable the enrichment of the environmentally friendly product line with products that use less water, detergent, time and raw materials, and outputs less wastewater, heat and noise into the environment. Vestel Beyaz Eşya views environmental protection and social responsibility as core to its mission, and adopting innovative strategy in line with this approach as key to achieving sustainable growth.

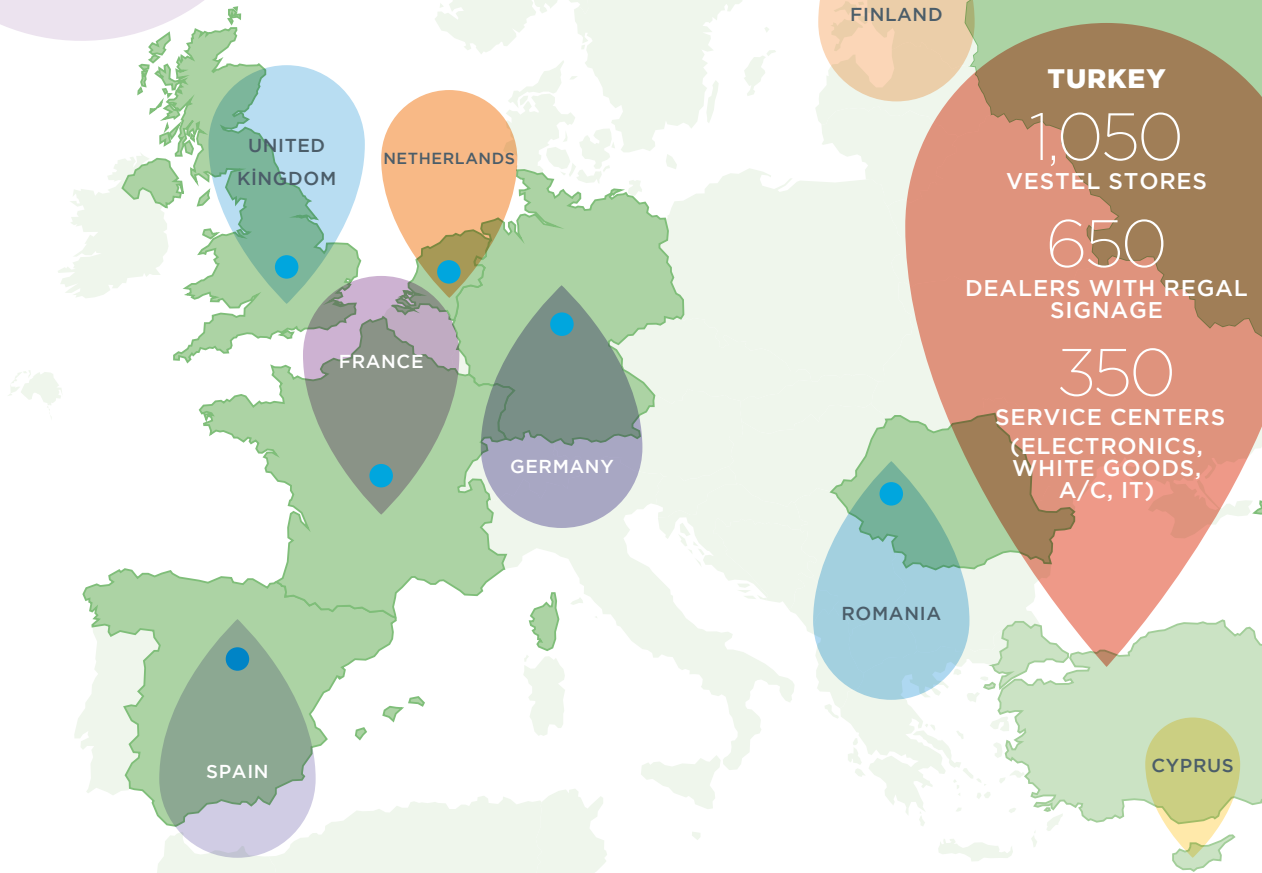
#### **Vestel Beyaz Eşya on the Istanbul Stock Exchange**

31.5% of Vestel Beyaz Eşya shares, as the subsidiary of Vestel Elektronik Sanayi and Ticaret A.Ş., have been trading on the Istanbul Stock Exchange (ISE) under the ticker symbol VESBE since 2006.

As of end-2011, Vestel Beyaz Eşya shares were included in the ISE All, ISE All-100, ISE National, ISE Industrials and ISE Metal Products indices.

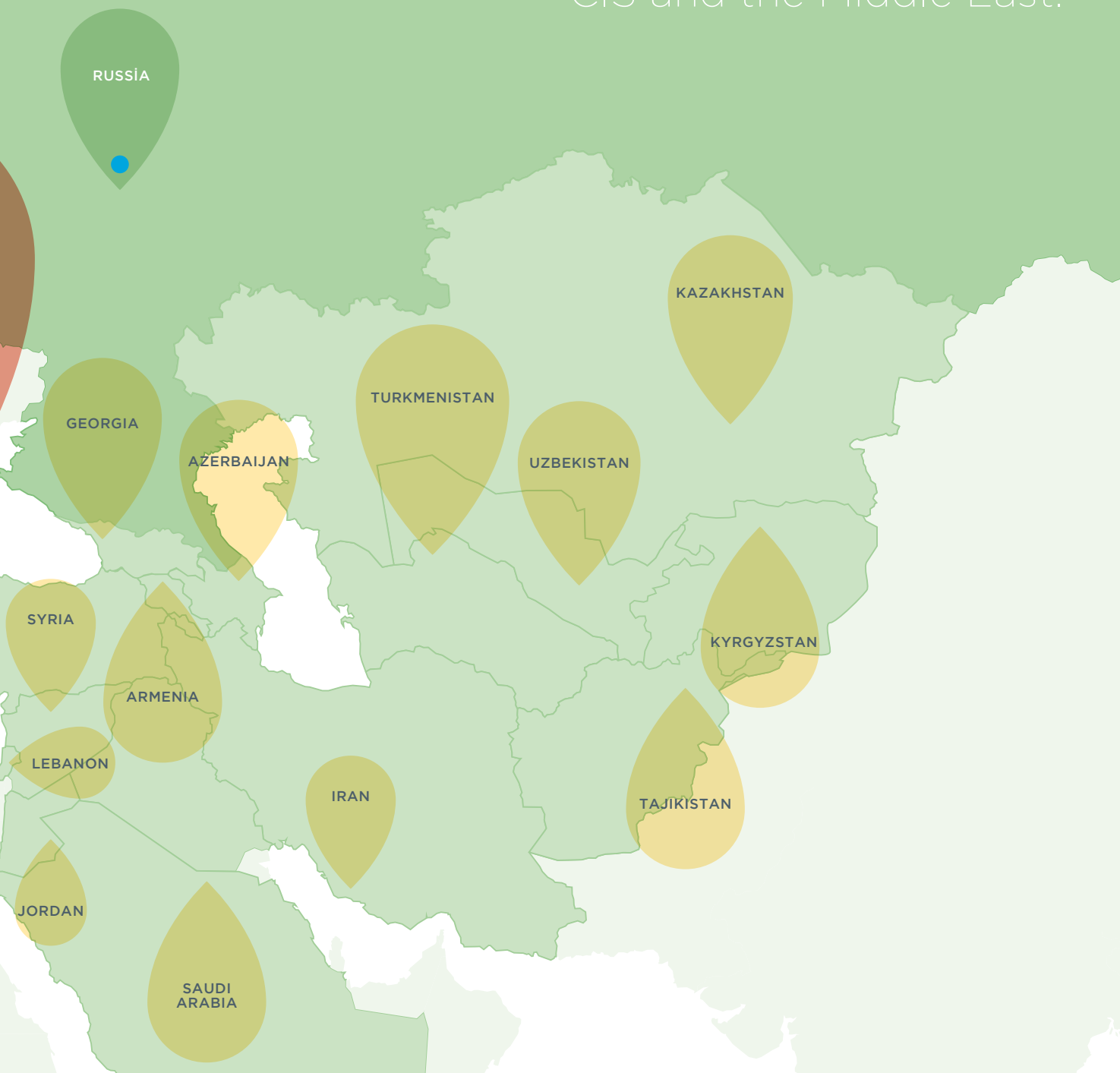
## VESTEL'S GLOBAL OPERATIONS

Vestel brings its high quality and innovative products to consumers in 135 countries worldwide.



1,804

Number of stores selling  
Vestel branded products in  
13 countries across Russia,  
CIS and the Middle East.



## QUICK LOOK AT 2011

### Major Financial Indicators

Euro Million	2010	2011
Net Sales	715	850
Exports/Sales	68%	64%
Operational Profit	16	26
EBITDA	42	49
Net Profit	13	9
Investments	22	36
R&D Expenditures/Sales	1.4%	1.3%
Total Assets	473	502
Shareholders' Equity	250	209
Net Financial Debt	55	89
Gross Profit Margin	7.6%	9.4%
EBITDA Margin	5.8%	5.8%

### Net Sales and Exports' Share (Euro Million)



### EBITDA and EBITDA Margin (Euro Million)

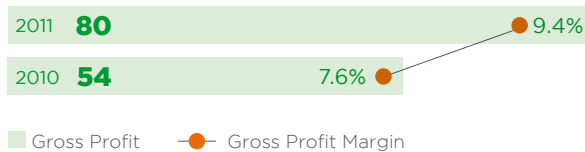




### Share Price Information in Brief

USD	2011
Shares	190,000,000
Publicly held	59,800,000
High	2.29
Low	0.88
Year-end	0.89
Market Capitalization	169,100,000

### Gross Profit and Gross Profit Margin (Euro Million)



### R&D Expenses and Ratio to Sales (Euro Million)



## ZORLU GROUP AT A GLANCE

Business areas that increase society's standard of living...

### Home textiles, polyester yarn

#### KORTEKS ZORLUTEKS

The largest integrated manufacturer and exporter of polyester yarns in Europe and the Middle East

The leading home textile company in Europe

#### SALES REVENUE

USD 923 MILLION

### Electronics, Information Technologies and Consumer Durables

#### VESTEL

One of the leading ODM providers of TVs, white goods, and digital products for the European Market

One of the major players in the European LCD TV market with a growing market share

Production facilities in Turkey and Russia  
One of the top three players in the domestic LCD TV and white goods markets through its well-known Vestel brand

#### SALES REVENUE

USD 4,178 MILLION



## Energy

### ZORLU ENERGY GROUP

One of the leading players in the domestic market with 771 MW of installed capacity

Ongoing investments in Russia, Pakistan and Israel

Active in electricity and natural gas trade, natural gas distribution, turnkey installation of power plants including the project development process, and long term maintenance and operations services

#### SALES REVENUE

USD **524** MILLION



## Real Estate

### ZORLU GAYRİMENKUL VE GELİŞTİRME

Began operations in 2006.

Objective: To develop and invest in real estate projects including residential and office complexes, 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, Turkey's first and only mixed-use real estate development project with five different functions: performing arts center, hotel, offices, shopping center and residences.

#### TOTAL PLANNED INVESTMENT FOR "ZORLU CENTER" AND "ZORLU LEVENT OFFICE" PROJECTS

USD **2,800** MILLION



## Mining

### META NIKEL KOBALT

To become a major regional supplier in nickel and cobalt.

Nickel-cobalt investment projects in Gördes, Eskişehir and Uşak.

Gördes project has 300 thousand tons of proven reserves, with total planned investment amount of about 250 million US dollars.

#### REALIZED INVESTMENT TO DATE

USD **60** MILLION

## MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Today, Vestel Beyaz Eşya ranks among the top 10 European white goods manufacturers, with a vast production capacity and state-of-the-art manufacturing facilities.

Esteemed Shareholders, Business Partners and Employees,

2011 was a challenging year for the global economy and many countries suffered from adverse economic developments. We witnessed considerable slowdown in both developed and developing economies. Due to the contagion of sovereign debt crises and public finance troubles, the European economy rapidly moved toward recession, which in turn set off debates on the general structure and cooperation policies of the European Union.

This development was viewed as the harbinger of a new global crisis and caused concerns around the world. The US economy, on the other hand, closed 2011 in a better position than the European economy, even though it fails to promise robust growth in 2012.

Despite these negative global developments, Turkey recorded a much higher-than-expected GDP growth rate of 8.5%, due to its robust economy and sound fiscal policies. Key factors underlying this strong growth performance were political stability, as well as the investigative, visionary, creative, dynamic and entrepreneurial spirit that Turkish industry displayed in domestic and international markets. The country's strong economic performance is expected to

decelerate due to the global slowdown in 2012; Turkey's economy is forecast to grow by around 3% in the coming year.

Meanwhile, Vestel forges ahead with confidence, continuing to expand its operations in electronic products and white goods from Europe to the Balkans, from the Middle East to South Africa. Vestel Beyaz Eşya contributed to Turkey's exemplary economic performance by recording export revenues worth Euro 545 million in 2011, up by 12% YoY. We are extremely proud to share with the Turkish people this result which is the product of a productive and hard-working nation.

Since the very beginning of its journey, Vestel has closely monitored the latest technological developments and has correctly analyzed the risks lying ahead and moved forward taking determined and pioneering steps. The principle of sustainable success, the importance placed on quality, and the priority of technology, design and R&D studies helped Vestel Beyaz Eşya to maintain its pioneering position in the global market in 2011. Today, Zorlu Holding is a global conglomerate, and Vestel Beyaz Eşya ranks among the top 10 European white goods manufacturers with its vast production capacity and state-of-the-art manufacturing facilities, and serves as a model for the whole sector with its R&D activities.



With its commitment to quality, eco-friendly design and leadership in development of innovative products, Vestel once again stood above the competition. Being one of the top three white goods manufacturers in Turkey, Vestel's success largely depends on innovative products designed with an accurate identification of customer needs. During 2011, the Company was presented with 31 awards from various industrial design competitions, proving the superior quality of its designs once again.

This coming year, the Vestel Family plans to continue abiding by the philosophy, "Those who cannot foresee the future shall have no future"; in fact, this is the key to our success. We have set clear targets for 2012: Production, exports and innovation. Companies that are capable of adapting to change and that are forerunners of innovations with their flexible organizational structure will always maintain their leadership position in the market. As a company that harbors all these values in its corporate culture and strategies, Vestel is committed to continuing its strong performance into the coming year.

As Zorlu Group, we have always set ambitious goals and made progress toward achieving them with complete confidence in our principles, strategies and employees. Our mission has always been to become a leader in all our business lines, and our guiding principle is to always stay one step ahead of the competition. In 2012, again, our goal is to take our accomplishments further to yield the largest benefit to the Turkish economy.

I would like to extend my gratitude to our shareholders, who have always stood by Vestel with trust and loyalty throughout the Company's pursuit of success; to our employees, for their ongoing sacrifice and hard work under all conditions; and to our suppliers and business partners, with whom we will most certainly conduct many more joint projects in the future.

**Ahmet Zorlu**

Chairman of the Board of Directors



## BOARD OF DIRECTORS\*

### Prof. Dr. Ekrem Pakdemirli (01)

Vice Chairman of the Board

(1939 - İzmir)  
Prof. Dr. Ekrem Pakdemirli served as Transportation Minister from 1987 to 1989, Finance Minister between 1989 and 1990, and Deputy Prime Minister in 1991. He is currently a faculty member of Bilkent, Başkent, and Ege Universities; he previously served as Deputy Rector of Dokuz Eylül University. In addition, Dr. Pakdemirli held the position of Foreign Trade Undersecretary at the Secretariat of Foreign Trade. He is the author of 10 books and more than 100 hundred published articles.

### Ahmet Nazif Zorlu (02)

Chairman of the Board (1944 - Denizli) Ahmet Nazif Zorlu began his professional 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. Mr. Zorlu purchased the rights to the Vestel trademark in 1994. He is currently the Chairman of the Board and Board Member of 29 companies operating in different sectors.

### Olgun Zorlu (03)

Board Member (1965 - Trabzon) After graduating from university in the United Kingdom, Olgun Zorlu began his professional career in 1986 and gained managerial experience of Zorlu Group's textiles companies. He was appointed Board Member of Zorlu Holding in 1998. In addition, Mr. Zorlu continues to serve as a Member on the Boards of Vestel Beyaz Eşya and Korteks Mensucat San. ve Tic. A.Ş.

### Dr. Recep Yılmaz Argüden (04)

Board Member (1958 - Eskişehir) Dr. Recep Yılmaz Argüden was in charge of the Privatization Program from 1988 until 1990. He took office as the Chief Economic Consultant to the Prime Minister. Currently, he serves as the Chairman of Ar-Ge Danışmanlık and as Consultant to Rothschild Investment Bank Turkey, and is a Board Member in various companies in Turkey and abroad.

\* Five of the Board of Directors are non-executive members and two are executive members. Ekrem Pakdemirli and Recep Yılmaz Argüden are independent members in compliance with the Capital Markets Board's Corporate Governance Principles independence criteria.



Dr. Argüden shares his professional experience in his strategy classes in the MBA programs of Boğaziçi and Koç Universities, and through his books and columns in various magazines and newspapers. He was designated as one of the "100 Global Leaders for Tomorrow" by the World Economic Forum, due to his efforts to boost quality of life.

**Ömer Yüngül (05)**  
**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 the Chairman of the Executive Committee responsible for White Goods. On January 3, 2000 his responsibilities were expanded to include all of the Group's production activities. Mr. Yüngül is currently the Chairman of Vestel Group Executive Committee.

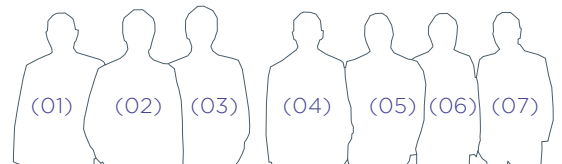
**Enis Turan Erdoğan (06)**  
**Board Member and**  
**Deputy Chairman of the**  
**Executive Committee**

(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 Dış Ticaret in 1988. Mr. Erdoğan has been a Member of Vestel Executive Committee since 1997.

**İzzet Güvenir (07)**

**Board Member**

(1955 - İzmir) İzzet Güvenir graduated from Istanbul Technical University, Department of Aeronautical Engineering 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 the General Manager of Vestel Beyaz Eşya in 2000. He stepped down from his position as a Member of the Executive Committee responsible for White Goods and Vestel Russia as of 1 July 2011. He continues to serve as a Member of the Board of Vestel Beyaz Eşya.



## INTERVIEW WITH THE CHAIRMAN OF THE EXECUTIVE COMMITTEE

We export our innovative products all over the world.

### How did Vestel Beyaz Eşya close the year 2011?

In 2011, we witnessed 19% YoY growth in the Turkish white goods sector. The number of units sold in the white goods market rose to 6.5 million, up from yearly average of 5 million. The Turkish white goods sector has come to occupy a significant position in the global market thanks to a number of factors. These include, R&D investments by manufacturers; the recent economic boom in Turkey and the ensuing expansion in housing construction; a large, young population; consumer preference for energy saving products; Turkish manufacturers' success in improving energy efficiency up to 65% thanks to R&D activities in the last decade; and the development of a robust supplier industry in the sector.

White goods stood out as one of the sectors that responded most rapidly to the domestic economic conjuncture in 2011. Turkey ranked among the top three fastest growing economies in the world, which, in turn, boosted the white goods sector. Turkey has a large and relatively young population, with an increasing number of new families and new homes. The housing sector is expanding and individuals find it easier to purchase a home than ever before. Taken together, all these developments have triggered increased expenditure on white goods.

In Europe, the Company's main export market, demand for white goods remained at last year's level. Overall, decline in demand in Western Europe was counterbalanced by high single-digit growth attained in Eastern Europe.

During this reporting period, Vestel Beyaz Eşya continued to expand its market share in European market, as the

Company, the major ODM manufacturer of white goods within the vicinity of Europe, continued to capitalize on the ongoing trend of shift of demand to products in lower price segments with its low cost and flexible manufacturing capabilities.

Despite ongoing price pressure in the market, improved product-mix was reflected positively on top-line growth thanks to continuous focus on innovative products.

As a result, Vestel Beyaz Eşya recorded sales revenues of Euro 850 million in 2011, up by 19% YoY, in Euro terms. Meanwhile export revenues increased by 12% YoY to Euro 545 million. In this period, 48% of total sales revenue originated from Europe, 36% from the domestic market and 16% from other countries.

In 2011, our capacity utilization rate increased to 70%, up from 63% a year earlier. In addition, the Company realized total capital expenditures of Euro 36 million in its white goods factory which is mainly for mould investments. Vestel Beyaz Eşya completed infrastructure and capacity expansion related investments and turned its attention to the development of new products in response to market demand and R&D activities.

Ever since Vestel entered the white goods sector in 1997, the Company has continued to transfer its technological know-how and information to the white goods products. Vestel has tripled its domestic market share over the last decade by introducing many pioneering white goods products to the Turkish market. By focusing on energy and time saving, usability, speed and smart product features, we developed products well suited for consumer





preferences. Vestel succeeded in developing Turkey's fastest and most economical washing machine, the Vestel Twinjet Plus. This machine completes the washing cycle in just 12 minutes and consumes 50% less electricity than other machines in the A energy class. The Company made another breakthrough in the Turkish market by rolling out its Smart Plus air-conditioner, which can be remote controlled via mobile phone from anywhere. Finally, Vestel's F18 JetWash has distinguished itself as the fastest dishwasher of all time, by completing the dishwashing cycle in just 18 minutes.

#### **How do you evaluate the export performance of Vestel Beyaz Eşya for the year 2011?**

Turkey's close proximity not only to Europe, its major export market, but also to Russia and the Middle East are factors favoring the growth and dynamism of the white goods sector here. The risk of a double-dip recession in the aftermath of the 2008 crisis looms large in European financial markets, which in turn presents a significant opportunity for the Turkish white goods sector. That is because European financial institutions have been obliged to limit the amounts and maturity terms of the loans they extend to those firms importing white goods from Asia. In addition, the inventory cost of the products has become

a financial burden for these companies. As a result, many European countries geared up their imports from Turkey, which is located much closer. Consequently, Vestel boosted its exports operations in this period with high technology products at competitive prices.

Vestel has adopted an export-oriented growth strategy. The Company closely monitors new trends in its main target market, Europe, and continues to add new products to its product portfolio. Vestel also prioritizes to reinforce its market position by acquiring well-known regional brands.

In 2006, Vestel acquired the popular and reputable Scandinavian home electronics company Finlux. Today, Vestel markets its goods under this brand to 32 countries. In 2008, the Company purchased Vestfrost, one of the most prestigious white goods brands in Europe and Russia. We have since doubled our market share in the Danish market with Vestfrost.

During this reporting period, the Company purchased Servis, Electra, New Pol and Atlantic, leading regional

## INTERVIEW WITH THE CHAIRMAN OF THE EXECUTIVE COMMITTEE

Today, Vestel has the R&D capability to produce all the goods in its product portfolio with A class energy efficiency.

white goods brands in Europe. Of these, Servis has a 6% market share in the UK; Italy's Atlantic and Spain's New Pol are top players in the refrigerator segment; and Electra, a well-renowned brand across Europe is a leader in the freezer segment. All these brands produce goods for the entire white goods segments. Vestel plans to position Electra at a level above its OEM brands. We plan to position Servis brand at the high-end and distribute to a wide network in the UK market. We plan to position New Pol toward the medium-end of the Spanish market, by selling refrigerators, washing machines and dishwashers in large supermarkets and retail stores. In the Italian market, we plan to sell full-size and built-in washing machines, as well as refrigerators and ovens under the Atlantic brand. We also plan to shift OEM production to these brands. We continue to search for other brands suitable for acquisition.

#### What is the strategy of Vestel Beyaz Eşya in the domestic market?

Vestel Group of Companies has adopted a domestic market strategy based on developing friendly technologies accessible to households from all income groups. For two years, Vestel has highlighted its commitment to being a "friendly technology" brand, an expression now synonymous with the great ambition that the Company has displayed since its inception. Vestel's emphasis on customer satisfaction, its warm relationship with customers, unconditional support to consumers, penetration, accessible product range, expert retailing strategy, user-friendly products and eco-friendly manufacturing approach perfectly complement the "friendly" concept.

A top priority at Vestel Beyaz Eşya is increasing the number of sales, distribution and service channels while increasing our millions of customers in Turkey every day. Today, Vestel Beyaz Eşya delivers its goods and services via the following channels, all operated under the umbrella of Vestel Dayanıklı Tüketim Malları Pazarlama across Turkey:

- 1,050 Vestel stores,
- 650 dealers with Regal signage,
- E-Store (E-Mağaza) for online sales, and
- 350 authorized service centers.

Vestel continuously enhances its innovative brand value, a crucial component of the Company's corporate domestic strategy, with its novel approach to products and services and maintains its robust market share. Vestel Beyaz Eşya is one of the strongest competitors in the Turkish market thanks to the Vestel and Regal brands, widely-known for their high quality and excellent reputation. Today, Vestel reaches out to customers via 1,050 points located across Turkey's 81 provinces. In 2010, the Company launched its E-Store (E-Mağaza), the first durable goods company in the country to start an online sales channel. The number of registered users of the Vestel E-Store has climbed to 200 thousand in two years. In 2011, Vestel initiated the project "Service from A to Z" (A'dan Z'ye Servis), and the Company now provides impeccable after-sales services through 350 service centers. Vestel targets to get back to its customers within two hours and offers customers product delivery together with installation service. In addition, Vestel Call Center, one of the key channels in consumer communications, allows us to be accessible to

our clients at all times. The Company continually measures service quality and customer satisfaction via surveys conducted at the Call Center, where customers can reach us anytime.

In 2011, Vestel launched a campaign that offers customers installment payments over five years and a three-month unconditional return period. This campaign was the clearest indication of our trust in the quality of white goods products, and of our commitment to friendly technology promise focused on offering consumer-friendly solutions.

As a result of its customer-oriented approach, Vestel ranks among the top 10 most prestigious and well-known brands in Turkey. According to the annual "Global Powers of the Consumer Products Industry" report released by Deloitte, Vestel ranks among the top 250 global companies; also, according to Ipsos KMG's survey "Turkey 2011: Expectations and Appreciations," Vestel is one of the top 10 most popular firms in Turkey.

### **How much did you invest in R&D for white goods in the year 2011?**

Vestel Beyaz Eşya has rapidly embraced the shift to energy efficient products, the primary trend in recent years in the white goods sector. As a result, the Company prioritized the production of these goods in its short- and medium-term plans. Today, Vestel has the R&D capability to produce all the goods in its product portfolio with A class energy efficiency. We at Vestel have placed the "friendly technology" concept alongside our brand name to emphasize our commitment to the development of environmentally and user-friendly technologies that conserve energy. In the coming periods, Vestel Beyaz Eşya will continue to view protection of environment and social responsibility efforts as integral components of its development. At Vestel Beyaz Eşya, nurturing such innovative approaches is the key to achieving sustainable growth for the Company.

At Vestel in 2011, the main investment categories were manufacturing infrastructure, production capacity increase, new factory and product investment and R&D in innovative products. In line with our principle of constantly investing in technology improvements, we allocated an unlimited budget to our R&D units in 2011. The Company's R&D investments in white goods totaled Euro 11.1 million during the year.

Our main criteria in product development are enhancing environmentally and consumer-friendly technology; maximizing energy conservation; prioritizing product ergonomics and design; and capitalizing on R&D based product customization capability in order to develop tailor-made products suited to the specific needs and characteristics of distinct markets. At present, with more than 800 R&D engineers and an unlimited R&D budget, Vestel is deeply committed to developing and offering innovative and high quality products that set the standards for the sector.

Having integrated industrial design into its R&D processes in the most productive manner, Vestel has seen confirmation of its success in product development by winning many international awards. After receiving numerous prizes for its innovative products in the prior year, Vestel won a total of 59 awards in 2011 in the world's most prestigious design competitions, including the IF Product Design Award, Design Management Europe, Red Dot Design Award, Plus X Award and Good Design Award. These awards clearly indicate that Vestel has successfully expanded its ambition in design to the global stage, matching the Company's success in manufacturing.

### **What are your objectives for 2012?**

We expect global economic growth to pick up in 2012; in line with we anticipate demand for white goods to rise gradually. In the coming period, we aim to capture a larger market shares in domestic and international markets with our superior production quality, new products and growing awareness of our brands.

Vestel Beyaz Eşya plans to carry on its production and investments continuously also in 2012 with the strength it gets from its dynamic workforce. Our objective is to continue our journey as a company resolutely focused on consumer needs and R&D activities in order to offer to the world's markets innovative and high quality products that anticipate customer expectations and set the standards for the sector. To this end, I have utmost confidence in the Vestel family's drive for success.



**Ömer Yüngül**  
 Chairman of the Executive Committee

## 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 Chairman of the Executive Committee responsible for White Goods. On January 3, 2000 his responsibilities were expanded to include all of the Group's production activities. Mr. Yüngül is currently the Chairman of Vestel Group 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 Dış Ticaret in 1988. Mr. Erdoğan has been a Member of Vestel Executive Committee since 1997.



### İhsaner Alkım

Executive Committee Member

(1954 - Kırcaali) Mr. Alkım graduated from Istanbul Technical University's Electronics and Communications Engineering Department in the year 1977. After assuming various posts in the communications and electronics sectors, he joined the Vestel family in 1988. Mr. Alkım served in various R&D related positions in Vestel, except an interval from 1998 to 2002. In 2002, Mr. Alkım rejoined the Vestel Group. He currently serves as Executive Committee Member in charge of 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.



#### **Özer Ekmekçiler**

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



#### **Necmi Kavuşturan**

**Executive Committee Member**  
(1956 - Gaziantep) Necmi Kavuşturan graduated from Ankara University, Faculty of Political Sciences in 1979. After serving in various positions in banking sector, he was appointed Assistant General Manager in Denizbank Management Services Group in 1997. In 2003, Mr. Kavuşturan was appointed Human Resources Coordinator for Zorlu Holding. He has been a Member of the Executive Committee responsible for Human Resources at Vestel Group since 2005.

\*Cengiz Ultav resigned from his Board Member position as of 30 June 2011.  
İzzet Güvenir resigned from his Board Member position as of 1 July 2011.

## STRATEGY AND BUSINESS MODEL OF VESTEL BEYAZ EŞYA

# A rising white goods manufacturer in the Turkish and European markets with strong growth momentum...

### Strategic Goals of Vestel Beyaz Eşya

The strategic objective of the Vestel Group of Companies is to create value for shareholders and investors by increasing revenues and profitability achieved through sustainable growth. Accordingly, the Group has realized its vision in the white goods sector by achieving three main targets; expanding the customer portfolio, increasing market diversity, and improving branded sales.

### Expanding the Customer Portfolio

The Group aims to increase its market share among A brand manufacturers, retail market chains and distributors in the European market, its primary export market, as an ODM provider in white goods. One of the Company's strategic goals is to capture more share from the rising trend of outsourcing, especially among A brand manufacturers. Vestel Beyaz Eşya conducts its operations with the aim of meeting all the needs of its customers by enriching its product range.

### Increasing Market Diversity

The Group places great importance on growing in white goods in the coming periods in markets outside its main export market Europe, where it is one of the leading ODMs. Vestel evaluates different alternatives, including investment, partnership and contract manufacture, to facilitate the Company's access to these markets and to ensure future growth.







### Improving Branded Sales

In addition to its growth target as an ODM provider, the Group places strategic importance on achieving growth with its own brands in white goods sector. The Group aims to increase Vestel's market share with the Vestel and Regal brands in the domestic market and in developing markets, such as in the CIS and Middle East regions, and to strengthen its position in the European market with other brands in the Group's portfolio.

Vestel Beyaz Eşya plans to bolster its market position in Turkey with products developed by its own powerful R&D centers and as a technology leader in energy and water efficiency. To this end, the Ministry of Energy's "Energy Efficient Products

Conversion Project" initiative presents a clear opportunity for Vestel Beyaz Eşya. In addition, the Company targets reinforcing its strong domestic market position by offering pioneering value-added "smart" products developed in cooperation with third parties. The Company also prioritizes strengthening its brand image and reputation by further enhancing after-sale services.

In parallel with the Vestel's objectives of increasing market share by expanding the distribution network of Vestel and Regal brands and developing relationships with distributors in the fast growing markets around Turkey, the Company plans to open new showrooms in Iran, Iraq and Kazakhstan in 2012.

Vestel Beyaz Eşya will pursue growth in the European market with well-known regional brands in Vestel Group's portfolio. Accordingly, the Company may seize the opportunities of acquiring new brands to achieve this goal.

## PRODUCTION POWER

# High capacity production through total quality management...

Vestel Beyaz Eşya started production in Manisa in 1997, with the mission to offer economical, innovative, and competitive products that meet customer needs and expectations. Having completed investments in refrigerator manufacturing in 1999, in air conditioners in 2000, washing machines in 2003, cooking appliances in 2005, and dishwashers in 2007, the Company undertakes production in a 312 thousand square meter closed area facility.

Thanks to its investments undertaken within the last 10 years, Vestel Beyaz Eşya has a manufacturing facility equipped with the most modern and state of the art technology that provides:

- Operational efficiency, productivity, and cost advantages thanks to economies of scale;
- Flexible production and product differentiation capabilities;
- Logistics and cost advantages thanks to procurement from well-developed supplier industries based in Manisa;
- Logistical advantages due to its close proximity to Europe compared to its competitors in Asia;
- Low labor costs per unit compared to Europe.

### Increasing Operational Efficiency and Falling Production Cost Thanks to Economies of Scale

Economies of scale which the Vestel Beyaz Eşya executes as the fastest growing white goods manufacturer in Europe results in;

- cost advantages in component purchasing,
  - operational efficiency in production;
- and facilitates the Company to produce goods over a wide geographic area.

### Maximum Flexibility in Production and Product Customization Capability

Its flexibility in production enables Vestel Beyaz Eşya to produce high quality goods at low cost, while also allowing the Company to respond to customer demands quickly and to manufacture products that reflect changes in customer preferences.

Vestel Beyaz Eşya understands that the needs of every customer are different. As a result, the Company continuously works to diversify its product portfolio. Its flexible production capability allows the Company to customize production on an order basis. The ability to develop products based on customer needs, on geographic and socio-cultural characteristics is one of the Company's most important competitive advantages.

Vestel Beyaz Eşya holds an advantageous market position compared to its competitors thanks to its ability to produce a wide range of goods in a variety of models and sizes, meet the specific needs of customers, and develop new products in a short period of time.

In 2011, Vestel Beyaz Eşya continued to make investments to increase its production capacity. To this end, the Company's main investment during the year was the new press lines in the production of dishwashers.







## CAPACITY AND PRODUCTION

### Capacity

Unit	Facility Enclosed Area (m <sup>2</sup> )
Refrigerator	148,916
Washing Machine	41,475
Air Conditioner	15,750
Cooking Appliances	33,650
Dishwasher	15,750
Water Heater	-
Storage	57,000
<b>TOTAL</b>	<b>312,541</b>

The Company's capacity utilization rate was 70% in 2011, up from 63% in the prior year.

### Production

Vestel Beyaz Eşya unit's production increased 11% YoY in 2011.

## SALES

In 2011, the Company recorded gross sales of TL 1,974,851 thousand, of which exports accounted for TL 1,265,268 thousand. Of the Company's total sales, 48% originated in Europe, 36% in Turkey and 16% in other countries.

The Company's net sales increased 38.5% YoY in TL terms and 12% YoY in unit terms in 2011.

## INVESTMENTS

### 2011 Investments

Investment Amount	(USD Million)
Refrigerator Factory	24.08
Washing Machine Factory	8.02
Air Conditioner Factory	1.54
Cooking Appliances Factory	6.58
Dishwasher Factory	9.98
<b>TOTAL</b>	<b>50.20</b>

## R&D AND DESIGN SUPERIORITY

Vestel Beyaz Eşya has changed the standards in white goods technology with its R&D strength.

Vestel places strategic importance on R&D. To this end, the Company locates R&D units in each of its factories. Additionally, the Technology Development Center, serving the Company as whole, carries out design and innovation work for all Vestel Beyaz Eşya products. Vestel was one of the first companies whose R&D operations complied with the standards set by Turkish Ministry of Science, Industry and Technology.

Teams in each R&D unit work to ensure Vestel's leading competitive position, through innovation of new technologies and their application, new product designs, development of environmentally friendly products, increased efficiency and decreased product costs.

The Company's R&D centers develop products in their respective areas of expertise. Today, partnership projects help the centers to develop cross-functional appliances for their product portfolios.

The Company's R&D mission is not only to meet customer needs and expectations but also to develop more environmentally friendly products for customers, specifically, products that use less resources such as water, detergents, time and raw materials and release less wastewater, heat and noise to the environment.

Vestel Beyaz Eşya monitors global trends, expands its environmentally friendly product portfolio every day and enhances its reputation as a standard setter in this area. The Company is also taking serious steps in developing the technology and industrial platforms which enables the production of interactive white goods products according to the customers' needs and tendencies.

Vestel Beyaz Eşya R&D Center comprises individual R&D units, specialized by product, and the Technology Development unit, which focuses on emerging technologies. While each of the Company's factories has an R&D unit that manages productization projects, Technology Development and Industrial Design works for the Company as a whole on conceptualization, by forecasting technology and designs likely to be used in the future.

Vestel Beyaz Eşya creates new trends in white goods thanks to its R&D organization which can correctly sense customer needs and expectations; and adapts its technology and new product development processes accordingly. The Company outperforms its competitors by keeping "functionality" and "economical accessibility" at





the forefront of the product development process. Product development know-how channeled to different customer needs and expectations by product customization enables Vestel to cover all customer groups while addressing local, socio-cultural, climate, demographic related factors.

The Company has a highly reputable global market position thanks to its high technology and superior design products manufactured on the basis of functionality.

In 2011, Vestel R&D Center started research studies on the design of control and power cards of a variety of products including induction heated cookers, refrigerators, washing machines, ovens

and air-conditioners for the purpose of meeting the increasing market demand quickly and in a quality-driven way. As a result, development of an electronic card design, which Vestel Beyaz Eşya demanded, gave the Company a significant competitive advantage; in addition, the test and design team in this area is reinforced.

Vestel Group of Companies places special importance on the personal and technical development of its employees. The Company encourages personnel to attend post-graduate and doctorate programs to increase their level of specialization. To this end, the Company launched Vestel Technology Academy, a post-graduate educational program developed in cooperation with Özyeğin University. Participating employees receive education in four basic engineering disciplines; in addition, personnel who lack post-graduate status may also benefit from the program. The first graduates of Vestel Technology Academy are expected in 2012.

## PRODUCTS AND AWARDS

Vestel Beyaz Eşya crowns its achievements with the awards it receives in design and technology.

While Vestel Beyaz Eşya meets the requirements of its “friendly technology” promise with the products launched in 2011, the Company has crowned its achievements with awards in design and technology.

The major products Vestel Beyaz Eşya has supplied to the market in 2011 include:

- Wide and adjustable Vestel XXL refrigerator, with combination fridge-freezer;
- 70 cm wide combination refrigerator;
- Regal Ecoject washing machine with high load capacity, low energy consumption and award winning design;
- Vestel Smart, AA class air conditioner that can be turned-on with a mobile phone and controlled anywhere desired by the customer;
- A++ and A+++ energy class varied model fridges;
- Freezers with reduced noise level;
- A+++ washing machines in the highest efficiency class in Europe with Twinjet technology;
- Washing machines with easy to use technological digital display.
- New generation built-in oven with larger cooking volume (65 lt), lowered energy consumption (A-20% energy class) and new electronic control options;
- Larger cooking capacity (65 lt) and reduced energy consumption (A-20% energy class) in full size ovens;
- New built-in induction cooker series with electronic hardware and software designed completely by Vestel;
- Solo 45 cm dishwasher product family;
- New Solo series 60 cm Novus dishwasher product family;
- Dishwasher with the shortest program time in Turkey with capacity to wash a dinner place settings for four in 18 minutes;
- LCD dishwasher product family with variable speed washing technology;
- Solo 60 cm dishwasher with LED interface;
- 60 cm dishwasher with three baskets;
- Super Inverter+ series air-conditioners with 40% higher efficiency than a normal A class product.

### In 2011, Awards Rained Down on Vestel Beyaz Eşya Products

The Company received a total of 31 awards in various categories in design competitions in 2011, including:

- Awards to Lydia slim dishwasher, Claros dishwasher and UH590 No Frost refrigerator in **IF Product Design 2011**;
- Award to Odysseus dishwasher in **Red Dot Product Design Award 2011**;
- 27 awards in total: 11 dishwasher, six oven, four countertop cooker, three refrigerator, one air-conditioner and two water heater products in the design, functionality and ecology categories in **Plus X Award 2011**;
- Special Jury Award to Vestel washing machines from the Ministry of Energy and Natural Resources in the **“Energy Efficient Product”** category;
- Award nominee in the washing machine category in **German Design Award 2012**, also known as “The Award of Awards”.

In 2012, Vestel Beyaz Eşya plans to increase its investments in:

- New A+++ energy class no frost refrigerators; refrigerators with the “Fridge in Fridge” feature; 4-door 90 cm wide refrigerators with double multi-zone technology; glass door, modern kitchen concept fridges;
- Smart washing machines in the more energy efficient A+++ class, that consume very little water and that reflect Vestel’s technology and design capabilities;
- Electronically controlled ovens with lower energy consumption and the induction cooking feature; “X-Plus Design” built-in gas and “Pure Design” built-in gas and electric cooker series models in ovens and cookers;
- Built-in, three-basket, 45 cm Novus, Solo 60 cm A++, A+++ and low noise level models in the dishwasher product group.



## EFFECTIVE MARKETING, BROAD SALES AND DISTRIBUTION NETWORK

Vestel Beyaz Eşya serves the entire world with the effective sales, marketing and distribution network of Vestel Group.

Vestel Dayanıklı Tüketim Malları Pazarlama conducts domestic sales and marketing while Vestel Dış Ticaret carries out international sales and marketing for the Company.

### Marketing and Competitive Strategy

Vestel Beyaz Eşya reaches consumers in 135 countries with high quality and innovative products. The Company aims to be the leader in all its markets.

Vestel has adopted an export-focused growth strategy. Vestel Group prioritizes adding new products to its portfolio by closely monitoring trends in Europe, its primary export market; increasing its original design manufacturer (ODM) services to A brand manufacturers, retail market chains and distributors; and reinforcing its market position with its own well-known regional brands.

Vestel is one of the undisputed leading players in the domestic market with its portfolio of strong brands, and especially the strong Vestel brand, through the products it designed which fulfills the Company's friendly technology" promise, and promotional campaigns which address the needs of consumers in Turkey. Vestel Beyaz Eşya makes its products accessible to all customer groups with its

widespread stores across Turkey and with its user-friendly E-Store, which features an ongoing series of marketing and promotional online campaigns.

Vestel has become the preferred choice of consumers in Russia, the former CIS and other regional countries as well as in the domestic market with its "Vestel" and "Regal" branded products. One of the Company's strategic objectives is to increase the market share in other neighboring countries in the region where it operates.

### Vestel Dış Ticaret

Vestel Dış Ticaret carries out the international sales and marketing activities of the products of Vestel Group of Companies, which accounts for 2.4% of Turkey's total exports. The Company has been the country's export champion in electronics sector for 14 years.

Vestel realizes sales in Europe, its major export market, by providing ODM services predominantly to A brand manufacturers, retail chains and distributors. Within this scope the Company does not compete with its A brand business partners in the European market.





Vestel also aims to increase its presence in global markets without experiencing difficulties in terms of brand penetration by incorporating highly recognized regional brands in its product portfolio. To this end, the Company included the Servis, Atlantic, Electra and New Pol brands in its portfolio in 2011.

Vestel Dış Ticaret carries out the international sales and marketing activities of Vestel Beyaz Eşya products through its international offices and local sales-distribution network in France, Germany, Spain, United Kingdom, Netherlands, Finland, Russia and Romania.

Vestel realizes its brand sales in 13 countries within Russia, the former CIS and the Middle East region at 1,804 points (1,504 Vestel, 300 Regal).

### **Vestel Pazarlama**

Vestel has a multi brand strategy that is used nationally. Within this scope the Company markets and sells many powerful international brands in Vestel stores to provide a rich product portfolio to consumers.

In Turkey, Vestel carries out the sales of:

- Vestel products in its concept stores,
- Regal products through distributors,
- SEG products through retail chains,
- Telefunken products in the electronics chain stores, and
- World's most important brands' products.

Vestel Pazarlama provides extensive sales and after sales services across Turkey with 1,050 Vestel stores, 650 Regal dealers, E-Store for online sales and 350 service points.

Vestel Pazarlama engages in extensive communications activities that build on the rising brand perception of Vestel in white goods and maintaining its strength in electronic products.

## EFFECTIVE MARKETING, BROAD SALES AND DISTRIBUTION NETWORK

Vestel Pazarlama offers its customers the latest and most innovative features in the Company's top segment product groups, using a functionality based product segmentation and consumer perspective approach.

Supporting cooperation with third party business partners, Vestel Dayanıklı Tüketim Malları Pazarlama stands out with distinctive promotional campaigns never undertaken before in the sector, and effectively uses every distribution channel with utility based opportunities.

Vestel Dayanıklı Tüketim Malları Pazarlama organizes all dealers and service centers under the same management which increases its ability to meet customer demands quickly and effectively and gives the Company a competitive edge.

Vestel Dayanıklı Tüketim Malları Pazarlama;

- Provides effective dealer and service management using Geographical Information System (GIS).
- Uses the Solvoyo logistic system, which attaches importance to efficiency in the product shipment process, through this system Vestel achieved effective warehouse management, reduced transportation costs significantly and increased operational efficiency by increasing truck usage rates to 90%.
- Reduces costs, improves efficiency and saves time by using a new generation transport optimization system which provides the optimization of shipment to dealers with multiple criteria.
- Tracks retail sales on a daily basis with the Diva and AHB systems.
- Has adopted a customer and sales focused approach using a concept stores, multi brand and multi-channel strategy.

### Corporate Brand and Communications Strategy

Vestel places great importance on the reputation of its brands. The Company's basic brand strategy is to respond to consumer needs. To this end, Vestel supports its brands with high quality and environmentally friendly products and strong after-sale services that include a widespread service network, an effective call center and a technical solution center. The Company aims to be number one choice of consumers in white goods in Turkey, Russia, CIS and the Middle East countries with its leading Vestel brand. To achieve this objective, Vestel works continuously to protect its connection with customers through capitalizing on all proactive and reactive channels as well as promotional campaigns and other communications activities while also taking actions to increase brand loyalty.

### 2011 Campaigns

#### Free, one year supply of detergent with Vestel dishwashers

This promotional campaign, which ended December 31, presented a free, one year supply of Quantum Finish detergent tablets to consumers who purchased a Vestel dishwasher in November-December period aiming to decrease their detergent costs.

In addition, Vestel has implemented the traditional Çeyiz Kampanyası (Dowry Campaign), five year free warranty, and a three month unconditional return campaigns which have taken the interests of consumers. The Company also used effective communications campaigns in 2011 to highlight a number of its products, including the 50% energy saving Twinjet Plus, Combi fridge, Smart Plus air-conditioner and Jetwash dishwasher.



## SOCIAL AND ENVIRONMENTAL STRATEGIES

Vestel Beyaz Eşya conducts its operations with an awareness of its responsibility to the environment, humankind and society.

While Vestel Beyaz Eşya provides high quality products and services to consumers by using a competitive approach, the Company is driven by a corporate culture based on global and local values. The Vestel Group requires that its companies conduct their operations with the awareness of social responsibility and sees this as an essential component of its corporate governance. Vestel Beyaz Eşya not only works to limit the environmental impact of its products, but also tries to minimize the negative effects of production processes in a variety of ways, including saving energy, reducing waste, reusing and recycling, and preventing contamination by limiting hazardous chemicals. The Company does not compromise on occupational health and safety or product safety. This is the fundamental concept underpinning all of its operational processes.



## HUMAN RESOURCES

# Human resources is the most valuable asset at Vestel Beyaz Eşya.

Recognizing the great value of its intellectual capital, the Company implements a human resources policy and performance management system based on improving working conditions and ensuring employee satisfaction.

Like all Vestel Group companies, Vestel Beyaz Eşya has policies and systems in place related to recruitment, promotion, dismissal, severance payment, training, career planning and performance measurement. Employee personal rights, promotions, career plans and training as well as disciplinary actions are managed by the Company's professional Human Resources Team.

Vestel Group, with its own flexible organizational structure, empowers every employee to take the initiative in their respective areas of expertise. The overarching corporate objective is to make Vestel Group a company preferred by employees.

The Company's common values, embodied in its corporate culture and vision, guide employees in all their activities.

### Career and Performance Management

To meet its organizational requirements, Vestel uses promotion and lateral move systems based on a Group's needs and employee performance.

The performance management system implemented at Vestel enables employees to determine their goals and priorities and helps them to achieve success by directing their focus on clear objectives.

### Training and Development

At Vestel, every employee is highly valued. As a result, the Company's training policy is based on developing employee skills and supporting their development areas in order to ensure that employees adapt to innovation and change. Training activities are conducted with impartiality, based on need, in line with employee's career plan, in accordance with the Company goals and strategies, and in support of the corporate culture.

### Annual Training Plan and Other Educational Activities

In addition to its MT Program and Technology Academy, Vestel develops a yearly training plan for its employees based on the analysis of the training needs identified via the performance measurement system. Each year, the Company develops and conducts training programs that can be tracked through the Training Portal and accessed by employees through the SAP Portal. Vestel also develops and conducts supplemental in-house trainings based on the Group companies' specific needs.

### Vestel MT Program

Vestel provides training to its managers through the MT Program that the Company started in February 2010. The MT Program prepares participating employees to become managers in the Vestel Family. The intensive program is developed in partnership with Özyeğin University and includes exclusive and strong academic content that aims to



prepare participants in both theory and practice for managerial positions. With the MT Program, Vestel also aims to cultivate future managers who will make a difference on the Company's road to leadership.

The six-month program is conducted at the Vestel City production center in Manisa. In the first 12-week period, trainees take a full course load; in the second 12-week period, participants work in internships at Vestel companies. All costs associated with the 1,000-hour training program are covered by the Company and trainees retain their full employment rights and benefits during the training.

To date, 52 employees have participated in the MT Program. Preparations for the third term of the program, which will start in 2012, are currently underway. To make the program more effective, the Company solicits feedback from trainees and trainers and recommendations from consultants on the content of the program at the end of each term.

### **Vestel Technology Academy**

The Company launched this education training program in September 2010 as a platform for academic and other expert professionals to share their theoretical and practical experience in emerging technologies in order to help develop the knowledge base of Vestel engineers.

The Academy imparts the knowledge and skills needed by engineers working in functional areas such as R&D, quality control and production. Course content is prepared by Özyeğin University and is customized to meet Vestel's specific needs. The Company aims to build both a practical and academic infrastructure identified with its own products, systems and corporate philosophy by going beyond standard training.

Vestel presents Academy attendees the convenience of obtaining post-graduate and doctorate degrees certified by The Council of Higher Education (CHE) in the fields of electronic, mechanical, computer and industrial engineering. By meeting all training costs, Vestel has become the first company to bring the university to employees. To date, more than 200 engineers have benefited from the advanced training opportunities at the Academy.

Vestel Technology Academy is not restricted to postgraduate and doctorate students: all employees may benefit from the program within the term and receive certificates. The Academy completed its third term in 2011 and the first graduates will complete their training in the next term.

## THE ENVIRONMENT

# Vestel Beyaz Eşya expands its energy saving product portfolio every day.

Vestel Beyaz Eşya develops its environmental policies around the basic concepts of providing its employees healthy working conditions and providing its customers environmentally friendly, energy saving products. Vestel Beyaz Eşya's target to become a world-class company makes the Company responsible for maintaining the health and safety of its employees, customers and the neighboring community and protecting the environment and nature for future generations. The great importance the Company places on this issue was documented by its adoption of the Turkish Standards Institute TS-EN-ISO 14001 Environment Management System in 1998.

Vestel Beyaz Eşya conducts its operations in compliance with the Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment Directive (ROHS Directive) which limits the use of six heavy metals that are hazardous to living beings and the environment. The Vestel Beyaz Eşya product portfolio is comprised of 90% environmentally friendly products; in addition, the Company's Ecowash and Twinjet washing technologies have launched a new era in water, energy and time savings.

### Environmentally Friendly Technology

Vestel Beyaz Eşya uses lead-free solder electronic cards and electronic components of its products. The Company has taken great care not to harm the ozone layer in the use of gases in its refrigerators. Vestel Beyaz Eşya is working to increase the number of its A+++ products in its product portfolio to ensure efficient use of water and electricity. In 2011, new products using Ecowash and Twinjet washing technologies were launched to widespread customer acclaim. The Regal Ecojet washing machine washes loads with up to 50% less energy consumption compared to high capacity machines and is frequently cited as best in its class.

Vestel Beyaz Eşya also minimizes the impact of its packaging by using biological paper instead of polystyrene, by reducing cardboard box use 90% and by reusing principle in use of nylon and separator.

Vestel Beyaz Eşya washing machines received the Energy Efficient Product Jury Special Award in the Energy Efficiency in Industry Project Competition, organized by Turkey's Ministry of Energy and Natural Resources, General Directorate of Renewable Energy. The award is another expression of appreciation for the Company's vast investments in developing environmentally friendly products.





### **Environmentally Friendly Production and Activities**

In light of the Company's environmental policy that pledges continuous development in terms of environment, the prevention of pollution and compliance with existing environmental regulations and administrative provisions, Vestel Beyaz Eşya:

- Takes environmental factors into account when evaluating new product projects and operations; reduces harmful materials in the design and production processes in compliance with relevant European Union directives (RoHS, Reach, et al.), and national regulations; researches materials with less pollution, and in regards to this, limits use of six heavy metals (lead, mercury, cadmium, chromium +6, PBB, PBDE) in its products;
- Takes actions to reduce, reuse, recycle and recover waste;
- Makes the most economical use possible of energy, water and natural resources through productivity increases and by encouraging the use of new technologies;

- Uses recycled/recyclable packaging materials whenever feasible;
- Conducts activities aimed at fostering environmental awareness.

The Company pledges to work on these issues and to allocate sufficient and appropriate resources as such.

Due to the importance of energy efficiency in the prevention of direct consumption of natural resources, the Company's ISO 50001 Energy Management System is integrated with its ISO 14001 Management System. This arrangement enables the Company to monitor world standards regularly, to improve energy performance, to use renewable energy resources, to comply with the legal and regulatory requirements, to raise awareness of energy efficiency among employees and shareholders, to renew all processes and equipment based on an energy efficiency approach.

In line with its integrated management systems policy, in 2011, Vestel speeded up its activities of reducing harmful waste, spreading the use of nanotechnology at its production sites and investing in training initiatives and social responsibility projects.

## SOCIETY

# Vestel Beyaz Eşya places social responsibility at the center of its corporate culture.

Vestel Beyaz Eşya sees its own development as an integral part of society's development. As such, the Vestel Beyaz Eşya Collective Responsibilities and Principles policy includes the Company's employees, shareholders, and customers within the scope of an exemplary company that provides benefits to society. With these principles, Vestel Beyaz Eşya promises:

- To establish a management culture that sees humility, respect to people and closeness to the public as part of its core values;
- To take a leading role in the protection of democracy, human rights and the environment;
- To abide by working age laws;
- Not to coerce its workers;
- To take necessary legal and physical measures for the health and safety of all its employees;
- To enable its employees to inform management about their suggestions and complaints through the Kiosk Terminal;
- To raise the level of environmental awareness among its employees while fulfilling its social responsibilities regarding the protection of environment ;
- To become a preferred brand in all markets by taking a leadership role in customer satisfaction and to act on its responsibilities for its shareholders.

Placing great importance on ensuring that its social responsibility initiatives are concrete and sustainable, Vestel implements long term projects instead of making short term investments. To this end, before the Company launches a social responsibility project, it identifies and prioritizes the areas where public sector support is limited or nonexistent. In all the social responsibility initiatives it has undersigned or supported, the Company has adhered to the same performance, sensitivity and quality standards as in all its other activities.



## OCCUPATIONAL HEALTH AND SAFETY

Vestel Beyaz Eşya strives for a more secure and healthy work environment in all its activities.

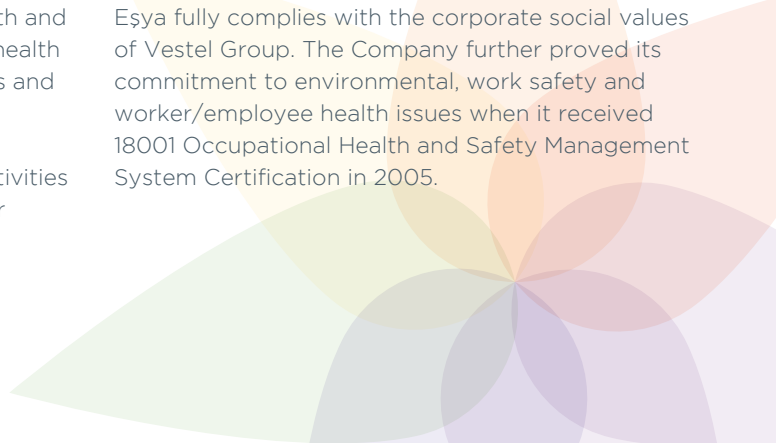
One of the major components of the total quality concept at Vestel is occupational health and safety. Vestel Beyaz Eşya has adopted strict occupational health and safety guidelines as prescribed by Vestel Group Management Systems policies. To provide for a world-class working environment, Vestel Beyaz Eşya in its all activities strives to:

- Fullfill all of its legal, regulatory and administrative requirements, comply with the rules of the organizations of which it is a member and ensure that international standards, new technologies, and employee suggestions are incorporated into its policies and practices concerning such issues for improvement.
- Perform occupational health and safety risk analyses; develop and implement plans aimed at preventing work-related accidents and diseases.
- Provide fire safety, spread preventative and protection measures and raise awareness at all levels, based on ordinances and internationally accepted standards in all its activities.
- Ensure that all levels of its personnel are aware of their responsibilities in occupational health and safety, and provide continuous training on health and safety risks to instill appropriate actions and behaviors.
- Eliminate or at least minimize work-related accidents, unsafe conditions, and unsafe activities within the workplaces in order to prevent or reduce work-related accidents; frequently

review working conditions and take appropriate measures when problems are identified; ensure that such measures are provided with sufficient resources; and review occupational health and safety policies and practices in light of changing conditions and requirements.

Vestel Beyaz Eşya was recognized for its high level of achievement in this area when it received OHSAS 18001 Occupational Health and Safety Certification in 2005.

Understanding that the quality of its products is a fundamental component of total quality management, Vestel Beyaz Eşya manufactures goods in all its facilities with ISO 9001:2000 Quality Management System Certification. The Company also has received KEMA certification, the world standard for export goods; in addition its refrigerator plant operates with Approved Factory Certification (BEAB, UK), one of the premier certifications in occupational safety. Vestel Beyaz Eşya fully complies with the corporate social values of Vestel Group. The Company further proved its commitment to environmental, work safety and worker/employee health issues when it received 18001 Occupational Health and Safety Management System Certification in 2005.



## RISK MANAGEMENT

As is the case in all Vestel Group companies, risk management at Vestel Beyaz Eşya targets preventing risks to maintain the value of the Company in a sustainable way in line with corporate objectives, while evaluating growth opportunities. To this end, the Company works to raise awareness of risk and to foster a risk management culture in all its activities. In addition, Vestel Beyaz Eşya plans to extend risk management activities within the framework of Organizational Risk and Value Management throughout the Company in 2012.

Vestel Beyaz Eşya carries out international activities and engages in commercial transactions denominated in various currencies. Currency risk is minimized with derivative instruments on a transaction basis with the authority and limits given by the Board of Directors to the Company's Treasury Management Department. The objective is to reduce the currency risk close to zero.

To hedge interest rate risks, the Company uses interest rate swaps.

The most important category in credit risk is customer trade receivables. To reduce credit risk, the Company implements policies and procedures to investigate the creditworthiness of the customers, obtains guarantees that ensures appropriate conditions for mutual working, sets credit limits and monitors receivables. For the exports, the Company obtains export receivables insurance.

Vestel Beyaz Eşya prioritizes training about work safety, which is among the most important operational risks. Training given to employees aims to prevent and minimize work related to occupational accidents.

Insurable operational risks are evaluated every year. After a cost-benefit analysis is conducted, risks, which can be transferred, are determined. Insurance purchases in Vestel Beyaz Eşya are made in a centralized and collective way. The most important insurance products used by the Company are those for capital assets, product and management liability, transportation and product recalls.

Risk Management and Internal Control Processes are continuously monitored by the Internal Audit Department. The Department provides assessments, recommendations and guidance on the effectiveness of the Company's risk management processes and on their efficiency, security and quality of methods and data used and correct execution of policy, procedures and limit mechanisms.



## 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 Beyaz Eşya Sanayi ve Ticaret A.Ş., 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 2011 with a view to further increasing the compliance of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. with the Corporate Governance Principles are summarized below:

- The Articles of Incorporation was revised and made available for the information of the investors.
- Investor Relations website was redesigned to facilitate investors' access to information and at the same time the content has been widened.
- Structure and fields of duty of internal audit function in Vestel Group of Companies are determined again within the framework of works of compliance to TCC and TAS. In this scope, Internal Audit function is divided into two main groups as Internal Audit,

and Financial Audit and Tax Audit. Being long on service, Internal Audit department shall henceforth be responsible for only audit of business processes. On the other hand, Financial Audit and Tax Audit Department shall audit the authenticity of all financial statements (external reports and management reports) prepared by our Companies and give assurance to the Boards of Directors on this subject. In addition, it is aimed to start audit works on Information Technologies in 2012 in the scope of Internal Audit organization.

- Energy Management System is established within the Company. Our Company's goal is to activate this system in 2012.

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

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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 Beyaz Eşya Sanayi ve Ticaret A.Ş. was able to establish its approach to management which is responsible, accountable, transparent and equitable toward its shareholders no matter what the size of their stakes in the Company may be.

### PART I- SHAREHOLDERS

#### 1.1. INVESTOR RELATIONS UNIT

- Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. 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: +90 (212) 456 22 00  
Email: yatirimci@vestel.com.tr

- The principal activities carried out by the Corporate Finance and Investor Relations Department and the conferences attended in 2011 on behalf of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. are summarized below:
- Nearly 100 one-on-one meetings were held with investors and analysts.
- During the reporting period about more than 100 questions were responded to by e-mail and about 100 by telephone.
- Participation was secured in six conferences organized by brokerage houses.
- 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 2011, 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. In this scope, the design of Investor Relations website is renewed in 2011 to facilitate investor's access to information and in addition, its content is extended.
- Material event disclosures made via Public Disclosure Platform (PDP) and Vestel Beyaz Eşya website were the tools used in 2011 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 Beyaz Eşya Sanayi ve Ticaret A.Ş. held its General Meeting for 2010 at 11:00 AM on May 26, 2011 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 7805 dated April 29, 2011 and on Milliyet and Dünya newspapers, both dated 29 April 2011, as well as on the corporate website at [www.vestel.com.tr](http://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, 139,975,916.00 shares representing TL 139,975,916.00 in capital were present in person at the meeting. The General Meeting convened with an attendance ratio of 73.67%. No proxy votes were cast.
- Prior to the General Meeting, the annual report, financial statements, and the Articles of Incorporation were made available for the inspection of shareholders at the Company's headquarters. 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 Beyaz Eşya Sanayi ve Ticaret A.Ş.'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 accordance with the decision passed at Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. Board of Directors meeting held on April 19, 2007 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

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growth plan by the Board of Directors each year at the General Meeting.

- In line with the decision passed at the meeting no. 2011/9 held by Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. Board of Directors at the Company headquarters on 21 April 2011, the proposal regarding the year 2010 profit contained in the Company's 2010 General Meeting agenda (Article 12) has been explained to the attendants, which was decided by a majority of the votes 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 Beyaz Eşya Sanayi ve Ticaret A.Ş.'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 May 26, 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 46 material event disclosures were made in 2011 pursuant to CMB regulations. No additional information was requested by the ISE concerning disclosures.
- Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.'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.

### 2.3. THE CORPORATE WEBSITE AND ITS CONTENT

- Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.'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. In this scope, the design of Investor Relations website is renewed in 2011 to facilitate investor's access to information and in addition, its content is extended.
- The website is accessible at [www.vestel.com.tr](http://www.vestel.com.tr)

## 2.4. DISCLOSURE OF THE COMPANY'S ULTIMATE CONTROLLING SHAREHOLDER(S)

- The shareholder structure of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. is as follows:

SHAREHOLDERS	SHAREHOLDING INTEREST %	NUMBER OF SHARES	SHARE VALUE (TL)
Vestel Elektronik Sanayi ve Ticaret A.Ş.	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
<b>TOTAL</b>	<b>100.000000</b>	<b>190,000,000.0</b>	<b>190,000,000.0</b>

\* Vestel Elektronik holds a stake of 4.1%.

- 74.81% stake in Vestel Elektronik Sanayi ve Ticaret A.Ş., 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 Beyaz Eşya Sanayi ve Ticaret A.Ş. 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 Communiqué Serial VIII No.54 and sent to the Central Dematerialized System (CDS) updated at CDS 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 Dış Ticaret A.Ş. (VDT), a Vestel Group company, and domestic sales by Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş. (VP), again a Vestel Group company.
- Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. 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

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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 Beyaz Eşya, improvement work is carried out. In addition to these, periodic meetings are held with VDT and VP 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 two 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.
- An academy under the name of "Vestel Technology Academy" was founded especially for the engineer staff of the Vestel Group. Academy provides Master and PhD education opportunity



approximately to 200 employees. Additionally, “Management Trainee” and similar programs are regularly planned and implemented every year in order to cultivate qualified managers.

- 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 Beyaz Eşya Sanayi ve Ticaret A.Ş. are Vestel Dış Ticaret A.Ş. and Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş. 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.

### 3.5. SOCIAL RESPONSIBILITY

- Within the scope of social responsibilities, Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. joins the activities

carried out by its parent company Vestel Elektronik 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 toward leveraging the principles and values espoused ever since its foundation to global social responsibility platform.

- As a responsible corporate citizen, Vestel Beyaz Eşya 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 Beyaz Eşya 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.

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- With its environmental policy, Vestel Beyaz Eşya 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.
- Due to the environmental significance of energy efficiency from the point of preventing direct consumption of natural resources, ISO 50001 Energy Management System activities are integrated to ISO 14001 management system.

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 Beyaz Eşya Sanayi ve Ticaret A.Ş. aims to activate the Energy Management System founded in 2011, within 2012. In the scope of the Energy Management System, our Company undertakes to:
  - Use energy efficient and environment friendly technologies for continuous improvement of our energy performance and rendering it sustainable from environmental and economic point,
  - Improve and develop our energy performance continuously by comparing with the best and alike performances in the world,
  - Use renewable energy resources,
  - Promote participation and innovation culture among the stakeholders for continuous development in energy saving,

- Provide full compliance to legal terms,
  - Determine the fields of improving energy efficiency and to conduct of internal and external energy efficiency studies,
  - Provide all employees take role to reach the energy consumption targets in the direction of upturn and improvement,
  - Make awareness studies on the subject of energy efficiency by training, seminars and visual banners,
  - Support the creative ideas about the modification, renewal and improvement of the equipment and the process of optimizing energy consumption.
- In the scope of environmental awareness activities within Integrated Management Systems Policy, Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.:
    1. Trains all employees on the subject of environment and energy.
    2. Distributed to all employees booklets on environment and energy topics.
    3. Designs bi-monthly environmental awareness brochures on the panels where the employees can see and on the panels behind WC doors
      - “Let’s Collect Bottle Tops One by One, Overcome the Obstacles Step by Step” campaign organized by Ege University, Faculty of Dentistry in the scope of social responsibility and waste management is supported within the Company. Wheel chairs were bought for the relatives of two employees with the collected plastic caps.
      - Through supporting “White Goods Sector Hazardous Waste Guide” project, hazardous wastes in white goods sector are classified with the support of Ministry of Environment and Urbanism, Marmara University and TÜBİTAK.
      - An Environment Commission, in which Environmental Management Officer has participated to represent our Company, has been established within MOIZ. The commission continues its environmental activities.
  - Vestel Beyaz Eşya’s policy in relation to the environment, occupational health and safety is as follows:
    - Satisfies its legal obligations and administrative conditions toward 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,
- Adopts 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	68	1 year	Non-executive	Primary School	
Ekrem Pakdemirli	Vice Chairman	73	1 year	Independent	University	- Member of the Parliament - Deputy Prime Minister - Faculty member of Bilkent, Başkent and Ege Universities - Deputy Rector of Dokuz Eylül University
Olgun Zorlu	Board Member	47	1 year	Non-executive	University	- Served successively in various Zorlu Group companies
Ömer Yüngül	Board Member	57	1 year	Executive	University	-Executive Committee Member responsible for Vestel Beyaz Eşya - Executive Committee Member of Vestel Group Companies
Enis Turan Erdoğan	Board Member	57	1 year	Executive	University	- Ekinciler Holding
Recep Yılmaz Argüden	Board Member	54	1 year	Independent	University	- Chief Consultant to the Prime Minister - Chairman of Erdemir
İzzet Güvenir	Board Member	57	1 year	Non-executive	University	- Executive Committee Member responsible for Vestel Beyaz Eşya and Vestel CIS

- Five of the Board's seven members are non-executive members and two 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.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### 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.

- Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. 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 13 times during 2011. The overall rate of attendance at these meetings was 93%. 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 2011, nor were there any matters that might lead to competition with the Company or any conflict of interest.

#### **4.8. CODE OF ETHICS**

- Vestel Beyaz Eşya's 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 Beyaz Eşya Sanayi ve Ticaret A.Ş. 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 March 23, 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 İzzet Güvenir.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- 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 2011.
- 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 2011 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.
- 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 2011.
- 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 2011 consisted of:
  - Establishing Corporate Governance Principles throughout the Company,
  - Developing recommendations pertaining to the structure and effectiveness of the Board of Directors,
  - Reviewing the structures and activities of the committees and presenting recommendations.
  - Reviewing the activities of the Investors Relations Unit and presenting recommendations in this context.

### 4.10. FINANCIAL BENEFITS PROVIDED TO THE BOARD OF DIRECTORS

#### Corporate Governance Committee:

- The Corporate Governance and Appointments Committee was set up by a Board of Directors resolution dated March 23, 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 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 Beyaz Eşya Sanayi ve Ticaret A.Ş. were paid a total gross of TL 77,000.00 as attendance fee in 2011, 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 2012 will be decided at the 2011 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.



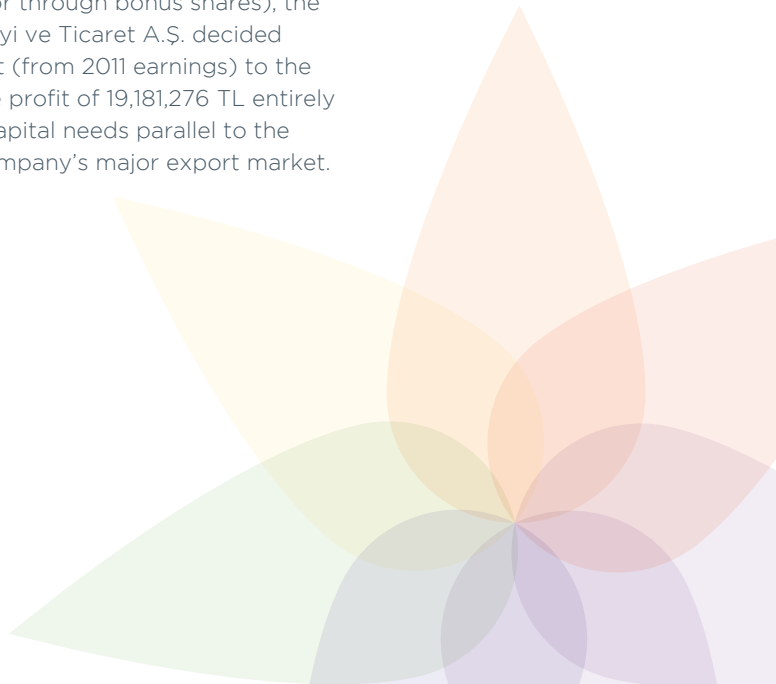
## PROFIT DISTRIBUTION POLICY

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

## PROFIT DISTRIBUTION PROPOSAL FOR 01.01.2011 – 31.12.2011 FISCAL PERIOD

Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. Board of Directors met at the Company headquarters under the chair of Mr. Ahmet Nazif Zorlu. As a result of the meeting and discussions:

Despite the Company's dividend distribution policy of a minimum rate of 25% (of the distributable net income in cash or through bonus shares), the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. decided unanimously to propose no dividend payment (from 2011 earnings) to the General Assembly and to set net distributable profit of 19,181,276 TL entirely as reserves, due to potential rise in working capital needs parallel to the negative market conditions in Europe, the Company's major export market.



## RESOLUTION OF THE BOARD OF DIRECTORS

RESOLUTION DATE : 07.03.2012  
 RESOLUTION NO. : 2012/7  
 PARTICIPANTS: Ahmet Nazif ZORLU  
 Ekrem PAKDEMİRLİ  
 Olgun ZORLU  
 İzzet GÜVENİR  
 Enis Turan ERDOĞAN  
 Recep Yılmaz ARGÜDEN  
 Ömer YÜNGÜL

MEETING AGENDA : Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. Financial Statements for the period ending 31.12.2011.

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 resolved to ratify the balance sheets of VESTEL BEYAZ EŞYA SANAYİ ve TİCARET ANONİM ŞİRKETİ as of 31.12.2011 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**  
Chairman



**Ekrem PAKDEMİRLİ**  
Vice Chairman



**Olgun ZORLU**  
Board Member



**Ömer YÜNGÜL**  
Board Member



**İzzet GÜVENİR**  
Board Member



**Enis Turan ERDOĞAN**  
Board Member



**Recep Yılmaz ARGÜDEN**  
Board Member

## STATUTORY AUDITOR 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  
Location : Zorlu Plaza, Avcılar-İstanbul  
Capital : 190,000,000.- TL  
Field of Activity : Production of refrigerator, air-conditioner, washing machines and home cooking appliances.

Auditor(s) name, period in office, partner or company's personnel : Şerif ARI – 1 Year Ahmet G. HIZARCI – 1 Year  
Not a partner nor an employee

Number of Board Meetings and Audit Committee meetings : 6-11

Content and dates of audit on Company accounts, legal books, and documents and result of the audit : 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 the counting which was performed by the Company's cashier desk in accordance with the Turkish Commercial Code article 353 paragraph 1 subparagraph 3 : The cashier desk counting was performed four times and it was resolved that stocks are in compliance with the records.

Audit dates and results have been performed in accordance with Turkish Commercial Code's article 353 paragraph 1 subparagraph 4 : There are no securities held by mortgage or guarantee or bailment to the Company according to the monthly audits.

Complaints or frauds reported, and legal proceedings : There are no complaints or frauds reported.

We have audited the accounts and transactions of Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi for the period 01.01.2011-31.12.2011 in accordance with the Turkish Commercial Code, the Articles of Association, other regulations and accounting principles.

In our opinion, the attached balance sheet drawn up on 31.12. 2011, the contents of which we acknowledge, fairly and accurately presents the Company's financial position on the date, and the income statement for the period 01.01.2011 – 31.12.2011 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 released of their fiduciary responsibilities.

27.03.2012

  
**Şerif ARI**  
Auditor

  
**Ahmet G. HIZARCI**  
Auditor



**VESTEL BEYAZ EŐYA SANAYİ  
VE TİCARET ANONİM ŐİRKETİ**

FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 31 DECEMBER 2011  
TOGETHER WITH AUDITORS' REPORT



Engin Bağımsız Denetim ve Serbest Muhasebecilik Mali Müşavirlik A.Ş.  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

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

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

#### *Management's responsibility for the financial statements*

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

#### *Auditor's responsibility*

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

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

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

#### *Opinion*

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

ENGİN Bağımsız Denetim Serbest Muhasebecilik Mali Müşavirlik A.Ş.  
Member Firm of Grant Thornton International

Ajda Düzgün Ertuğrul  
Partner  
İstanbul, 07.03.2012

Abide-i Hürriyet Caddesi  
Bolkan Center  
No:211 Kat:2  
34381 Şişli  
İstanbul



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

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

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

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

## VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

### BALANCE SHEET

AS OF 31 DECEMBER 2011 AND 31 DECEMBER 2010

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

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

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

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

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

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

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

## VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

### STATEMENTS OF CHANGES IN EQUITY

#### FOR THE YEARS ENDED 31 DECEMBER 2011 AND 31 DECEMBER 2010

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

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

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

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

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

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

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



## VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

### NOTES TO FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2011

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

#### NOTE 1 - ORGANISATION AND NATURE OF ACTIVITIES

Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. (the "Company" or "Vestel Beyaz Eşya") was incorporated in 1997 under the Turkish Commercial Code and its head office is located at Zorlu Plaza, 34310 Avcılar / İstanbul.

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

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

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

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

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

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

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

# VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2011

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

#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

##### 2.1 Basis of Presentation

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

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

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

##### 2.2. Going Concern

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

##### 2.3. Functional and presentation currency

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

##### 2.4. Offsetting

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

##### 2.5. Comparatives and restatement of prior periods' financial statements

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

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

## **VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**

### **NOTES TO FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2011**

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

#### **2.6. Restatement and Errors in the Accounting Policies and Estimates**

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

#### **2.7. Critical accounting estimates, assumptions and judgments**

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

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

- Physical inventory verifications are performed periodically and allowance for diminution in value is provided for items which are determined to be unsellable by the technical personnel. all stocks are subjected to review and their usage possibility ascertained on basis of the opinion of the technical personnel; provisions are set aside for items expected not to have usage possibility. Net realizable value of the inventory is determined based on the estimated selling prices, and estimated expenses to be incurred to make the sale. When the net realizable value of inventory is less than its cost, the inventory is written-down to the net realizable value and the expense is included in the statement of income in the period the write-down occurred (note 10).
- In accordance with the accounting policies stated in note 2.8, property, plant and equipment and intangible assets are carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of assets over their useful lives, using the straight line method. The estimated useful lives are reviewed at each balance sheet date with the effect of any changes in the estimate accounted for on a prospective basis.

#### **2.8. Summary of significant accounting policies**

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

##### **Revenue**

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

##### **Trade receivables / payables**

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

## VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

### NOTES TO FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

#### Inventories

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

#### Foreign currency translations

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

#### Property, plant and equipment

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

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

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

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

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

## **VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**

### **NOTES TO FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2011**

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

#### **Intangible assets**

##### *Rights*

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

##### *Research and development costs*

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

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

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

##### *Other intangible assets*

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

#### **Impairment of assets**

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

#### **Borrowing costs**

Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Capitalization of borrowing costs is ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognized in the profit or loss in the period in which they are incurred.

#### **Derivative financial instruments**

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

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

## VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

### NOTES TO FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2011

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

#### Earnings per share

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

#### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and revisions to accounting estimates are recognized in the period in which re revision is made.

#### Warranty provision

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

#### Contingent assets and liabilities

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

#### Leases - The Group as a lessee

##### *Finance lease*

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

##### *Operating lease*

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

#### Related parties

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



## **VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ**

### **NOTES TO FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2011**

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

#### **Segment reporting**

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

#### **Government incentives and subsidies**

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

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

#### **Employment termination benefits**

Under Turkish labour law, the Company and its Turkish subsidiaries are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who retires in accordance with social insurance regulations or is called up for military service or dies. The amount payable consists of one months' salary limited to the declared maximum amount prevailing as at the balance sheet date. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees.

#### **Income taxes**

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

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

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

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

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

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

#### **Cash flow statement**

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

## VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

### NOTES TO FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

##### 2.9.1 Standards, amendments and interpretations effective in 2011:

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

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

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

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

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

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

## VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

### NOTES TO FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2011

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

#### NOTE 3 - SEGMENT INFORMATION

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

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

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

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

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

#### NOTE 4- CASH AND CASH EQUIVALENTS

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

## VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

### NOTES TO FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

#### NOTE 5 - FINANCIAL INVESTMENTS

##### Short term financial investments

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

	31.12.2011	31.12.2010
<b>Current financial liabilities</b>		
Bank borrowings		
- TL	16.249	30.228
- USD	63.620	--
- EUR	107.998	49.757
	<b>187.867</b>	<b>79.985</b>
<b>Non-current financial liabilities</b>		
Bank borrowings		
- USD	7.623	--
- EUR	28.729	66.996
	<b>36.352</b>	<b>66.996</b>

Maturity schedule of Company's total current and non-current financial liabilities is as follows:

Due in one year	187.867	79.985
One to two years	21.187	54.452
Two to three years	5.792	4.757
Three to four years	5.543	4.592
Four to five years	3.645	3.040
Over five years	185	155
	<b>224.219</b>	<b>146.981</b>

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

## VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

### NOTES TO FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2011

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

As of 31.12.2011, The Company also obtained various Turkish Lira and foreign currency bank loans for operational purposes which amounts to a short term payable of TL 171.062 (TL 9.147, EUR 40.222 thousand, USD 33.681 thousand), (31.12.2010: TL 65.321 (TL 30.228, EUR 17.126 thousand)) and long term payable of TL 21.1877 (EUR 5.500thousand and USD 4.036 thousand), (31.12.2010: TL 46.524, (EUR 22.705 thousand)). The annual interest rate is 9,7 % for TL, 2,07 % - 4,77 % for EUR and 2,27%-4,77 for USD.

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

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

#### NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS

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

#### NOTE 8 - TRADE RECEIVABLES AND PAYABLES

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

Movement of doubtful receivables is given below:

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

# VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

#### NOTE 9 - OTHER RECEIVABLES

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

#### NOTE 10 - INVENTORIES

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

Provision for diminution in value of inventories is as follows:

Raw materials	1.508	440
Finished goods	1.702	158
	<b>3.210</b>	<b>598</b>

## VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

### NOTES TO FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

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

#### NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

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



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

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

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

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

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

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

## VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

### NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2011

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#### NOTE 12 - INTANGIBLE ASSETS

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

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

## VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

### NOTES TO FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2011

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#### NOTE 13 - GOVERNMENT GRANTS

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

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

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

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

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

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

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

#### NOTE 14 - PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

##### a) Provision for expenses

	31.12.2011	31.12.2010
<b>Current</b>		
Warranty provision	19.627	7.861
Provision for legal claims	556	453
	<b>20.183</b>	<b>8.314</b>

Movement of provision for expenses is as follows:

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

## VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

### NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2011

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#### b) Contingent asset

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

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

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

#### c) Commitments and contingencies

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

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

## VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

### NOTES TO FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

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

- The Company has given guarantee to Türkiye Garanti Bankası A.Ş. in favour of Vestel Elektronik Sanayi ve Ticaret A.Ş. for forward contracts.
- The Company is the guarantor for the bank loans which have been obtained by Vestel CIS Ltd and OOO Vestel Trade from Citibank.
- The Company has given guarantee to Royal Bank of Scotland PLC in favour of Vestel Germany GMBH, Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş. and Vestel Elektronik Sanayi ve Ticaret A.Ş. for forward contracts.
- The Company has given guarantee to HSBC Bank A.Ş. in favour of Vestel Pazarlama and Vestel Elektronik Sanayi ve Ticaret A.Ş. for forward contracts.
- Due to the export and investment incentive certificates obtained for tax purposes, the Company has committed to realize exports amounting to USD 102.598 thousand (2010: USD 91.036 thousand) as of 31.12.2011.
- The payment of VAT on certain export sales may be postponed and later cancelled by the tax office subject to clearance of certain routine formalities in due course. Responsibility of the Company continues until such clearance however no liability has arisen in the past and no liability is reasonably expected for the future. As of 31.12.2011, the amount of VAT is TL 39.112 (2010: TL 29.180).

## VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

### NOTES TO FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

#### d) Derivatives

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

#### NOTE 15 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

	31.12.2011	31.12.2010
Provision for employment termination benefits	<b>9.461</b>	<b>7.231</b>

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

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

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

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

## VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

### NOTES TO FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

#### NOTE 16 - OTHER ASSETS AND LIABILITIES

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

#### NOTE 17 - SHARE CAPITAL

##### a) Paid in capital

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



## VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

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#### FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

#### b) Adjustments to share capital ("inflation adjustment of share capital)

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

<b>Adjustment to share capital</b>	<b>9.734</b>	<b>9.734</b>
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#### c) Share premium

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

<b>Share premium</b>	<b>109.031</b>	<b>109.031</b>
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#### d) Restricted reserve ("Legal reserve")

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

<b>Legal reserves</b>	<b>37.921</b>	<b>35.067</b>
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#### e) Retained earnings

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

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

## VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

### NOTES TO FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2011

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#### NOTE 18 - REVENUE AND COST OF SALES

a) Revenue	01.01.- 31.12.2011	01.01.-31.12.2010
Domestic sales	709.582	460.771
Overseas sales	1.265.269	967.902
	1.974.851	1.428.673
Sales discounts (-)	(1.682)	(4.417)
	<b>1.973.169</b>	<b>1.424.256</b>
b) Cost of sales	01.01.- 31.12.2011	01.01.-31.12.2010
Direct materials used	1.619.039	1.163.446
Direct labour	78.416	61.369
General overhead	51.309	43.931
Energy expenses	13.321	11.065
Depreciation and amortization	43.722	42.555
Cost of goods produced	1.805.807	1.322.366
Changes in semi-finished goods		
Opening inventory	5.038	4.554
Closing inventory	(5.881)	(5.038)
Changes in finished goods		
Opening inventory	46.074	41.510
Closing inventory	(62.985)	(46.074)
<b>Cost of goods sold</b>	<b>1.788.053</b>	<b>1.317.318</b>
Purchased during the year	1.478	642
Opening merchandise inventory	611	256
Closing merchandise inventory	(1.717)	(611)
<b>Cost of merchandise sold</b>	<b>372</b>	<b>287</b>
<b>Cost of sales</b>	<b>1.788.425</b>	<b>1.317.605</b>

## VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

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#### FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

#### NOTE 20 - NATURE OF EXPENSES

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

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

## VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

### NOTES TO FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2011

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#### NOTE 21 - OTHER INCOME AND EXPENSE

##### a) Other income

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

##### b) Other expense

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

#### NOTE 22 - FINANCIAL INCOME

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

#### NOTE 23 - FINANCIAL EXPENSE

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

## VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

### NOTES TO FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2011

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#### NOTE 24 - TAXES ON INCOME

##### a) Current tax

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

The Company's taxation on income is as follows:

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

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

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

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

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

## VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

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

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

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

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

#### b) Deferred tax

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

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

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

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

A reconciliation of the deferred tax expense is as follows:

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

#### NOTE 25 - EARNING PER SHARE

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



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#### NOTE 26 - RELATED PARTY DISCLOSURE

##### a) Trade receivables- current

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

##### b) Trade payables- current

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

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

##### c) Short term borrowings

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

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

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

	01.01.- 31.12.2011	01.01.-31.12.2010
<b>Sales</b>		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	6.035	13.941
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	455.675	274.715
Vestel Dış Ticaret A.Ş.	1.263.163	962.959
Other	523	331
	<b>1.725.396</b>	<b>1.251.946</b>
<b>Purchases and operating income</b>		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	9.003	6.369
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	41.089	18.467
Vestel Dış Ticaret A.Ş.	4.348	6.797
Other	3.525	1.072
	<b>57.965</b>	<b>32.705</b>
<b>Financial income</b>		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	407	1.409
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	527	362
Vestel Dış Ticaret A.Ş.	139.355	16.461
Other	1.283	1.711
	<b>141.572</b>	<b>19.943</b>
	01.01.- 31.12.2011	01.01.-31.12.2010
<b>Financial expenses</b>		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	67	2.105
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	5.856	715
Vestel Dış Ticaret A.Ş.	82.059	24.804
Other	499	1.440
	<b>88.481</b>	<b>29.064</b>

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

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#### e) Key management compensation

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

#### f) Guarantees and commitments

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

#### g) Operating lease

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

### NOTE 27 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

#### Financial asset

##### *Financial instruments and financial risk management*

The Company is exposed to a variety of financial risks through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result both from its operating and investing activities. The Company's risk management program focuses on minimizing the potential adverse effects of the unpredictable financial markets on the financial performance of the Company.

##### *Interest rate risk*

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

The Company's interest rate position is as follows:

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

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

2011 (%)	USD	EUR	TL
<b>Assets</b>			
Cash and cash equivalents	%1,50	%1,50	%9,49
Trade receivables	%0,81	--	%11,60
<b>Liabilities</b>			
Financial liabilities	%3,53	%2,49	%9,07
Trade payables	%0,39	%1,08	%11,56
<b>2010 (%)</b>			
<b>Assets</b>			
Cash and cash equivalents	--	1,45%	8,70%
Trade receivables	0,31%	0,61%	6,53%
<b>Liabilities</b>			
Financial liabilities	--	1,89%	7,69%
Trade payables	0,30%	0,80%	6,60%

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

#### *Liquidity risk*

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

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

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

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

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31.12.2010	Book value	Total cash out flow	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years
<b>Contractual maturities</b>						
Bank borrowings	146.981	151.347	35.654	45.725	69.797	171
<b>Expected maturities</b>						
Trade payables	270.984	272.072	241.639	30.433	--	--
Other liabilities	21.624	21.624	7.401	14.223	--	--
<b>Non derivative financial liabilities</b>	<b>292.608</b>	<b>293.696</b>	<b>249.040</b>	<b>44.656</b>	<b>--</b>	<b>--</b>
31.12.2010	Book value	Total cash out flow	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years
Derivative cash inflow	--	230.286	47.873	182.413	--	--
Derivative cash outflow	--	(236.195)	(51.936)	(184.259)	--	--
<b>Derivative financial liabilities</b>	<b>(5.909)</b>	<b>(5.909)</b>	<b>(4.063)</b>	<b>(1.846)</b>	<b>--</b>	<b>--</b>

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#### Foreign currency risk

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

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



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

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

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Foreign currency sensitivity analyses are as follows:

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

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

#### Capital risk management

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

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

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

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

#### *Credit risk*

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

## VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

### NOTES TO FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

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

# VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2011

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

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

## VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

### NOTES TO FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2011

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

Aging of overdue trade receivables is given below:

31.12.2011	Trade receivables	Other receivables
Not more than 30 days	316	--
Within 1 month to 3 months	36	--
Within 3 months to 12 months	10	--
Within 1 year to 5 years	2.643	--
- Carrying amount secured with collateral	--	--
	<b>3.005</b>	<b>--</b>
31.12.2010	Trade receivables	Other receivables
Not more than 30 days	174	--
Within 1 month to 3 months	9	--
Within 3 months to 12 months	2.334	--
Within 1 year to 5 years	7.369	--
- Carrying amount secured with collateral	--	--
	<b>9.886</b>	<b>--</b>

#### *Fair value of financial instruments*

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

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

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

## VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

### NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2011

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

#### *Financial assets*

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

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

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

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

#### *Financial liabilities*

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

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



## VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ

### NOTES TO FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2011

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

#### NOTE 28 - SUPPLEMENTARY CASH FLOW INFORMATION

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



## INVESTOR INFORMATION

### Ordinary General Assembly Meeting

In accordance with the resolution adopted by the Board of Directors of Vestel Beyaz Eşya, the Ordinary General Assembly Meeting of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. will be held on June 19, 2012, 11:00 am, at the Company's head office at Zorlu Plaza, 34310 Avcılar - Istanbul.

### Independent Auditor

Engin Bağımsız Denetim ve Serbest Muhasebecilik  
Mali Müşavirlik A.Ş.  
Member Firm of Grant Thornton International  
Abide-i Hürriyet Caddesi  
Bolkan Center No: 211 Kat:2  
34381 Şişli - Istanbul

### Financial Data and Company News

Financial statements, auditor reports, material disclosures and annual reports of Vestel Beyaz Eşya are available on the Company's website at <http://vesbe.vestelyatirimciiliskileri.com>. Additionally, requests for information can be submitted to the Investor Relations Unit of Vestel Group of Companies via phone and e-mail.

### Investor Relations

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Zorlu Plaza 34310 Avcılar - Istanbul  
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