VESTEL WHITE GOODS
2006 ANNUAL REPORT

VESTEL
is turkish of technology

ZORLU

CONTENTS

GuyLian
Häagen-Dazs
CORA
FAT FREE
BREAST TENDERS
CLUB
ORIGINAL
GERARD
volvic

VESTEL WHITE GOODS: A WHITE GOODS GIANT THAT'S STILL GROWING RAPIDLY

Vestel White Goods is one of the world's leading manufacturers of home appliances. On 278,000 m^2 of production facilities based in Manisa in western Turkey, Vestel White Goods manufactures refrigerators, washing machines, air conditioners, cookers, and dishwashers (since February 2007). In line with demand and new investment, Vestel White Goods' production capacity has increased from 2,750,000 units a year in 2003 to 6,200,000 units as of end-2006.

Vestel serves its customers ("A-Brand" manufacturers, retail market chains, and distributors) in Europe, which makes up the company's biggest export market, as an original equipment manufacturer (OEM) and an original design manufacturer (ODM). The company also sells its Vestel and Regal branded products in Turkey, Turkic republics and countries in the Middle East and North Africa.

Vestel White Goods' marketing activities and sales are carried out by two Vestel Group companies, Vestel Durable Goods Marketing and Vestel Foreign Trade, which are wholly-owned subsidiaries of its own principal stockholder, Vestel Electronics. Those two companies are also responsible for the marketing, sales, and after-sales services of the Vestel Group's other products such as televisions, digital products, and computers. In Turkey they serve customers through a network consisting of 1,250 dealerships and 570 after-sales services outlets and outside the country through 8 Vestel Group subsidiaries located around Europe.

Vestel has established itself internationally as a strong and trusted brand name with an extensive array of products. With market shares in Turkey ranging between 15-18%, Vestel White Goods' sales to the domestic market are made under the Vestel name and those of Regal (to distributors) and SEG (retail market chains) as well as number of private label brands.

With exports and market shares increasing year after year, Vestel White Goods provides OEM and ODM services in the European market to

- "A-Brand" manufacturers such as Fagor, Smeg, Whirlpool, Electrolux, Candy, Vestfrost, GE, Gorenje, and Glen Dimplex
- Retail market chains such as Carrefour, Metro, Conforama, Aldi, and Otto
- Distributors such as Zora.

VESTEL WHITE GOODS SERVES CUSTOMERS IN EUROPE, THE COMPANY'S BIGGEST EXPORT MARKET, AS AN OEM AND ODM.

CORPORATE PROFILE

IN 2006, VESTEL WHITE GOODS ACCOUNTED FOR A 37% SHARE OF ALL REFRIGERATORS EXPORTED FROM TURKEY WHILE IN THE CASE OF WASHING MACHINES IT CONTROLLED A 33% SHARE.

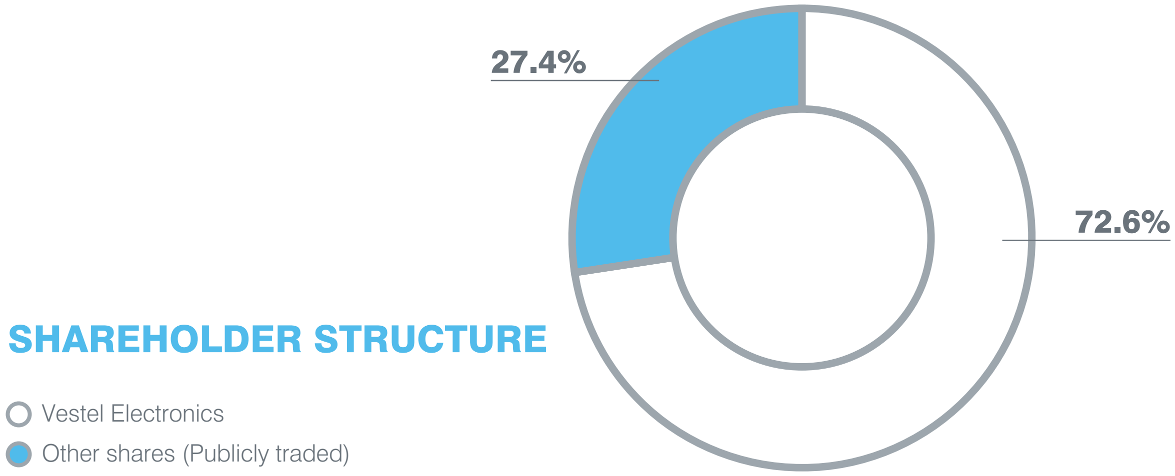
In keeping with the company's strategy, Vestel White Goods does not compete directly with its customers' brands through the "unbranded" sales that it makes to the European market.

In 2006 Vestel White Goods accounted for a 37% share (by number of units) of all refrigerators exported from Turkey in 2006 while in the case of washing machines, it controlled a 33% share of all units shipped abroad last year. As of end-2006, the company already commanded an 8% share of cooker exports, production of which began in the last quarter of 2005. Vestel White Goods ships 83% of its exports to European countries. Paralleling the growth in its product line and customer base, the company expects that its share of its sector's total exports will continue to increase for the foreseeable future.

Distinguishing itself with its ability to create and develop its own technology and designs and with a diversity of products and models capable of appealing to a broad range of consumers, Vestel White Goods continues to grow strongly and successfully. In the İstanbul Chamber of Industry's ranking of the 500 biggest companies in Turkey, Vestel White Goods rose to 27th place in 2005.

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

SHAREHOLDER STRUCTURE



MILESTONES ALONG A PATH OF SOLID GROWTH

Vestel White Goods;

1997
Founded in Manisa

1999
Begins manufacturing refrigerators

2000
Begins manufacturing air conditioners in its refrigerator factory

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

2005
Production begins at the second refrigerator factory. Washing machine factory capacity increased. Cooker production launched. Dishwasher investment begins towards year-end.

2006
31.5% of the company's shares are publicly floated. Work continues without letup on the dishwasher investment so as to commence production in first quarter 2007.

With an annual production capacity of 6,200,000 units in five plants occupying 278,000 m^2 of grounds outside Manisa in western Turkey, Vestel White Goods today is one of the strongest players in its sector.

AN IMPORTANT STEP TOWARDS INSTITUTIONALIZATION
Having undergone rapid, organic growth and substantially completed its investments, Vestel White Goods made a public offering of 31.5% of its stock in 2006 for the purpose of sustaining its growth momentum while also developing its corporate structure and strengthening its capital base.

Vestel White Goods is the second member of the Vestel Group of Companies, Europe's giant white and brown goods manufacturer and the engine of the Zorlu Group of Companies, to take itself public in an offering that attracted of one the greatest demand witnessed in many years. On 21 April 2006 the company's shares began trading on the İstanbul Stock Exchange under the symbol VESBE. The offering was undertaken by a consortium of 44 underwriters led by DenizYatırım. International sales of the shares were carried out by Deutsche Bank.

ZORLU GROUP AND VESTEL GROUP

The story of the Zorlu Group reaches back to its foundation in the early 1950s in a small textile atelier in the town of Babadağ in Denizli province. Growing and gaining strength in textiles by creating globally recognized brands, the Zorlu Group translated its success into the business of brown and white goods and digital products through Vestel and into the energy sector through Zorlu Energy. The group soon added yet another chapter to its success story, this one in financial services, through DenizBank. Deciding to set course for still newer horizons, the group sold off its stake in DenizBank in 2006 and withdrew from financial services. The same year, the Zorlu Group made a bold and successful entry into real estate investment and development in order to tap the huge growth potential it saw there and it undertook a number of investments in İstanbul as well as in İzmir and Marmaris.

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

With 30 thousand employees and total assets worth TRY 11 billion and in keeping with its philosophy "If we're going to go, then go as far as we can. If we're going to ascend, then go as high as we can. If we're going to be, then be the best we can be", the Zorlu Group continues to increase the visibility of the Zorlu name in the global arena as well as the confidence that is felt in it.

ZORLU GROUP

TEXTILE GROUP	VESTEL GROUP OF COMPANIES	ENERGY GROUP	PROPERTY GROUP
Korteks	Vestel Electronics	Zorlu Energy	Zorlu Property Development & Investment
Zorlu Linen	Vestel White Goods	Zorlu O/M	
Linens Marketing	Vestel Digital	Zorlu Industrial	
Zorlu Foreign Trade	Vestel Communications	Zorlu Petrogas	
	Vestel Foreign Trade	Zorlu Electricity	
	Vestel Durable Goods Marketing	Zorlu Natural Gas	
	Vestel CIS	Trakya Gas Distribution	
	Vestel Defense Industrials	Gaziantep Gas Distribution	
	AYESAŞ	Amity Oil	
	Birim Information Technologies	ICFS International LLC (Russia)	
		Solbar Energy Ltd. (Israel)	
		LLC Zorlu Energy (Ukraine)	

TOTAL EMPLOYEES

30,000

TOTAL ASSETS
(USD billion)

8

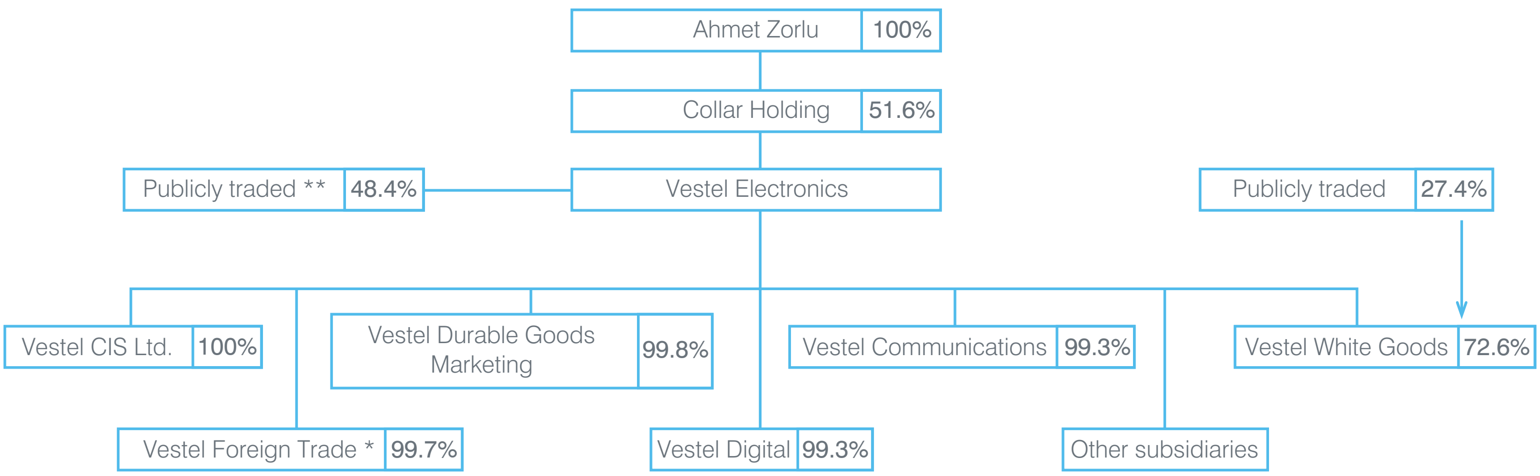
Vestel Electronics

Controlling the biggest stake in the majority of group companies and with the pioneering consumer electronics that it has introduced to the market, Vestel Electronics is the flagship company of the Vestel Group. Vestel Electronics is one of the biggest brown goods manufacturers supplying OEM and ODM services to customers not just in Turkey but all over Europe. The company controls a 28% share of the European market and exported goods worth a total of USD 2.8 billion to 108 countries around the world in 2006.

Vestel CIS

Vestel CIS is a wholly-owned Russian subsidiary of Vestel Electronics, Vestel White Goods' principal stockholder. The company manufactures televisions along with refrigerators and washing machines for the Russian and CIS markets in facilities with 85,000 m^2 of enclosed space. The refrigerator and washing machine plants, which went into production in 2006, have annual production capacities of 500 units each. Conducting its operations independently of Vestel White Goods, Vestel CIS has agreed not to undertake either production or sales outside the countries of Russia, Ukraine, Belarus, and Kazakhstan. Vestel CIS pays Vestel White Goods a technical know-how transfer fee equal to 1.5% of its annual sales.

VESTEL GROUP



** Consisting of foreign trade companies.*
*** 6.05% Zorlu Holding share is included.*

VESTEL GROUP EXPORTED GOODS WORTH A TOTAL OF USD 2.8 BILLION TO 108 COUNTRIES AROUND THE WORLD IN 2006.

FINANCIAL HIGHLIGHTS

VESTEL WHITE GOODS MADE A PUBLIC OFFERING OF 31.5% OF ITS STOCK IN 2006 FOR THE PURPOSE OF SUSTAINING ITS GROWTH MOMENTUM WHILE ALSO STRENGTHENING ITS CAPITAL BASE.

USD million	2005	2006
Net Sales	598	783
Exports/Sales	55%	62%
Operating Profit	46	70
EBITDA	66	94
Net Earnings	38	45
Capital Expenditure	80	35
R&D Expenditure/Sales	1%	1%
Total Assets	430	595
Shareholders' Equity	171	324
Net Debt	67	57
Net Debt/Equity	39%	18%
EBITDA Margin	11%	12%
Return on Equity	25%	18%
Return on Capital	21%	22%

Based on financial statements audited in accordance with Capital Markets Board standards.

NET SALES
(USD million)
783

EBITDA
(USD million)
94

VESTEL WHITE GOODS' STRATEGIC GOALS AND DIRECTION

ONE OF THE LEADING PLAYERS OF THE WHITE GOODS SECTOR...

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

The axes of Vestel White Goods' growth:

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

Vestel White Goods' competitive advantages

- It is the only company providing OEM and ODM services exclusively for Europe's "A-Brand" producers
- Its proximity to European markets gives it an edge in logistics.
- Its labor costs are significantly lower than those in Europe.
- The Vestel trademark is strongly positioned in the market and give it additional marketing clout.
- The Vestel Group has a well-established domestic and international distribution network.
- Turkey is one of the leading suppliers of white goods today.
- The company's production capacity is both high and flexible, which allows it to take advantage of economies of scale.
- Working with an extensive network of national and international suppliers, the company enjoys logistical, cost, and quality advantages thanks to its close dealings with domestic suppliers.
- Having undertaken and completed its major investments in just the last five years, the company has the most advanced production facilities anywhere in Europe.
- The concentration of all production facilities at a single location results in tremendous productivity and cost advantages.
- The company's approach to management is youthful, dynamic, and flexible.

HAVING UNDERTAKEN AND COMPLETED ITS INVESTMENTS IN THE LAST FIVE YEARS, VESTEL WHITE GOODS TODAY HAS THE MOST ADVANCED PRODUCTION FACILITIES ANYWHERE IN EUROPE.

CHAIRMAN'S MESSAGE

Ahmet Zorlu
Chairman of the Board of Directors

THE PROGRESS MADE AND RESULTS ACHIEVED IN JUST A VERY SHORT TIME HAVE CONFIRMED THE CORRECTNESS OF OUR STRATEGY AT VESTEL WHITE GOODS.

2006 witnessed an important turning-point in Vestel's ongoing effort to achieve its goals. Last year Vestel White Goods became the second group company, after Vestel Electronics, to take itself public.

Immediately after the public offering, the Zorlu Group's stake in Vestel White Goods was acquired by Vestel Electronics, the flagship company of the Vestel Group of Companies, in keeping with the group's overall approach to institutionalization. This move met with the approval both of our group and of our investors.

In the wake of our decision to pursue growth in white goods, we developed our strategies and immediately put them into effect. Our point of departure in essence was to take maximum advantage of the benefits arising from our logistical, cost, and flexible production abilities in order to tap the growth potential that there is in white goods to increase both our revenues and profitability. The progress made and results achieved in just a very short time have confirmed the correctness of this strategy.

Vestel White Goods today is the first and only choice of major European producers as an OEM and ODM. Our shares of our country's white goods exports have topped 30% in the refrigerator and washing machine categories while our domestic market share has reached the 18% level. The two biggest contributors to this great success are our technological competencies and our ability to achieve and support high rates of growth in a very short time.

To give you all a better understanding of the point that our group and Vestel White Goods have reached today, I want to share a few figures with you.

- From being a manufacturer of 360 thousand television sets a year in 1994, Vestel has evolved into a tremendous production force that turned out 22 million units in 2006, nearly 4.5 million of which were white goods.
- Vestel on its own accounts for 6% of the world's production of brown goods and 28% of Europe's, where it also supplies 11% of the refrigerators that make up the leading category of white goods sales.
- Vestel production takes place in a total of 900,000 m^2 of enclosed space in 12 plants. More than 250,000 m^2 of that consists of Vestel White Goods factories.
- Vestel technology is the product of the efforts of 930 R&D engineers working in 11 R&D centers located around the world. Nearly 150 of those engineers are employed in Vestel White Goods plants.
- In addition to a TV and white goods factory built in Russia at an investment cost of about USD 100 million, Vestel is also active in Russia, France, Germany, Italy, Spain, Portugal, Finland, Belgium, Netherlands, and Luxembourg as well as the Balkans and the Turkic republics both through the companies it owns and through its sales outlets.
- Vestel ships its goods to 108 countries. Total exports in 2006 were worth USD 2.8 billion. 77% of manufactured white goods were sent abroad and by themselves they made up about a 20% share of Vestel's total exports.
- With 12,000 employees, 1,250 sales points, 570 service points, and suppliers who in turn employ thousands of people more, Vestel creates employment for some 60,000 people, 4,500 of which are employed by Vestel White Goods itself.

This success transcends Vestel employees and technology. It is a success shared in by our whole country. To become this huge production force, we went through a process of unremitting investment and growth. The product line investments that Vestel White Goods began with the production of refrigerators in 2000 culminated with the addition of dishwashers in early 2007. In the wake of this intensive investment, our objective now is to increase both turnover and exports. In achieving this objective, our focal points in the period ahead will be R&D, innovation, productivity, and brand awareness. Companies become a shared value of their community to the degree that they attach importance to people and their well-being. In keeping with this dictum, corporate governance principles within the framework of our responsibility towards all our stakeholders guide all our corporate practices and actions as powerful reflections of our deep-rooted and well-established corporate culture. The principles of transparency, accountability, social and environmental responsibility, honesty, and fairness that are identified with by all our intellectual capital at every level will always be our guides.

As we've said repeatedly, we're aware of how far we've come but we're never going to be satisfied just with that. We have no choice but to continue to grow and develop. We are a group of companies that is corporate, deep-rooted, respected, knowledgeable, and experienced. As such, our goal must always be to become even stronger. There is still a long way to go and a lot more to do.

I must congratulate all my coworkers for having set up some of Europe's most modern plants at Vestel City, plants that leave those seeing them for the first time in astonishment and admiration, and for having built up such tremendous market shares in just five years' time. It is thanks to their efforts that Vestel White Goods today is one of Turkey's fastest-growing companies and managed to successfully complete its IPO last year. And it is also thanks to their efforts that we can expect even greater successes of Vestel White Goods in the future.

Vestel thinks on a long-term basis and plays its hand with an eye on the future. Our goal is to be a player that shapes markets not just in our own country but in the global arena. That is our vision as a company and it is by no means an idle dream. Our belief in our ability to do this is the most potent force driving us forward. I take this opportunity to extend my boundless thanks to every coworker who shares in this belief while conveying my sincerest appreciation to our shareholders whose support is always with us and to the business partners with which we have built these successes together.

Ahmet Zorlu
Chairman of the Board of Directors

77% OF VESTEL WHITE GOODS' PRODUCTION WAS SOLD ABROAD AND MADE UP ABOUT A 20% SHARE OF VESTEL'S TOTAL EXPORTS.

BOARD OF DIRECTORS

(1)
Ahmet Zorlu
Chairman

(1944, Denizli) Ahmet Zorlu began his career in a family-owned textile business. He set up his first company, Korteks, in 1976. In the years that followed, he continued to undertake new investments in the textile industry and founded Zorlu Holding in 1990. Ahmet Zorlu purchased the rights to the Vestel trademark in 1994. He is currently the chairman or a board member of 29 companies active in different sectors.

(2)
Prof Ekrem Pakdemirli
Board Member

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

(3)
Ömer Yüngül
Board Member and Chairman of the Executive Committee

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

(4)
Cem Köksal
Board Member and Member of the Executive Committee

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

(5)
Şule Zorlu
Board Member

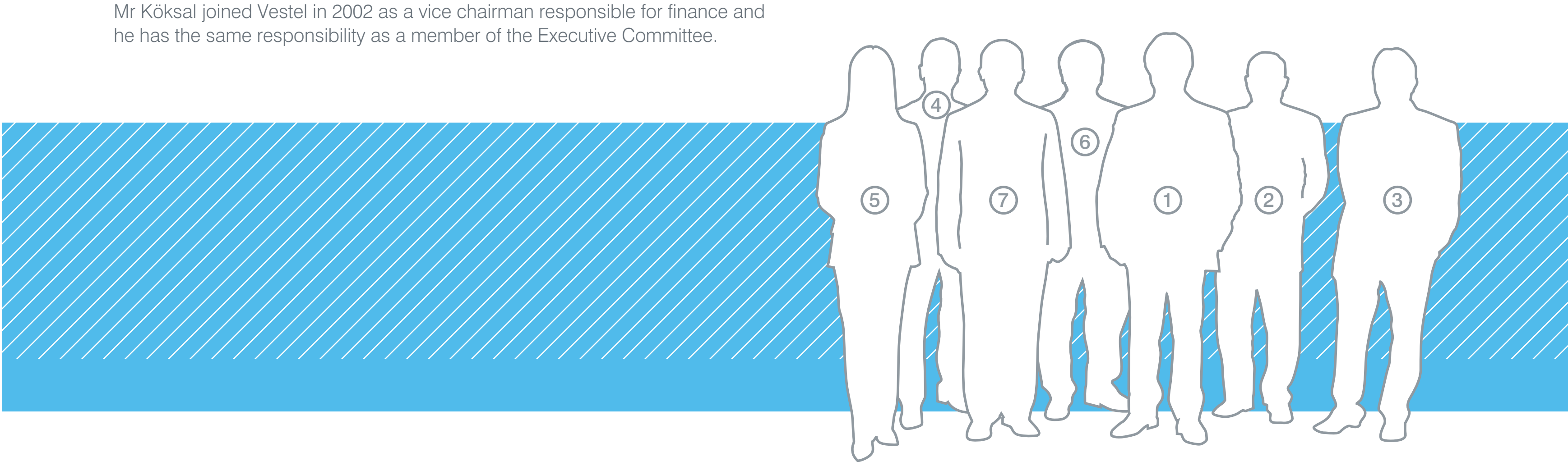
(1976, İstanbul) Şule Zorlu graduated from Fairleigh Dickinson University (Silberman College of Business) in 1999 and has held seats on the boards of directors of Zorlu Group companies since 2000. She is currently general manager of Linens Marketing.

(6)
Enis Turan Erdoğan
Board Member and Member of Executive Committee

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

(7)
Yılmaz Argüden
Board Member

(1958, Eskişehir) Dr Yılmaz Argüden is the chairman of ARGE Consulting. He has extensive experience in both the private and public sectors as well as in international organizations non-governmental organizations, and academia. He was responsible for the conduct of Turkey privatization program in 1988-90 and has served as chief consultant to the prime minister of Turkey on economic matters. He is presently the senior adviser to and representative of the Rothschild investment bank in Turkey and serves on the boards of directors of a number of organizations both in Turkey and abroad. Dr Argüden is an adjunct professor of Business Strategy at Boğaziçi University and in the MBA program of Koç University and is also the author of numerous books and a columnist for newspapers and magazines. He has been selected by the World Economic Forum as one of its "100 Global Leaders for Tomorrow".



ASSESSMENT BY THE VESTEL GROUP OF COMPANIES EXECUTIVE COMMITTEE MEMBER RESPONSIBLE FOR WHITE GOODS

İzzet Güvenir
Member of the Executive Committee

VESTEL WHITE GOODS' RAPID DEVELOPMENT AND ABILITY TO CREATE KNOW-HOW AND DESIGNS MAKING USE OF ITS OWN RESOURCES IS AN EXAMPLE OF TREMENDOUS SUCCESS.

2006 will be remembered as one of the most important milestones in Vestel White Goods' corporate history. As of year-end 2006, Vestel White Goods had become a company whose shares were trading on the stock exchange and which had strengthened its capital base and corporate structure, completed its product line investments, and increased its market shares both at home and abroad and could view the future with confidence.

A strong and rapidly-growing company

Having substantially completed both its investments and the process of maturing its corporate structure, in 2006 our company successfully undertook its initial public offering. The international side of the flotation was handled by Deutsche Bank while the domestic side was underwritten by a consortium led by DenizYatırım. The offering went on record for having generated one of the highest levels of public demand experienced in recent years.

As a business endeavor, the production of white goods entails protracted investment, demands strong know-how and R&D, and requires a diversified and broad range of suppliers. In that respect, Vestel White Goods' rapid development and ability to create know-how and designs making use of its own resources is an example of tremendous success. But in addition the creation of know-how, our company's rapid growth is also driven by an ability to quickly transform that know-how into sales.

The plant investments that began in 1999 with the refrigerator line continued in the years that followed with the additions of air conditioners, washing machines, and cookers. The dishwasher plant investment that began in late 2005 was completed and in February 2007 trial production began with a capacity of 500,000 units a year. This last project completes our product group plant investment program. The additional investments that are continuing are concerned essentially with capacity increases.

Pursuing rapid yet solid growth, Vestel White Goods' production figures have been increasing exponentially in recent years. Total production capacity reached 6.2 million units in 2006 and more than 4.2 million units were manufactured.

TOTAL PRODUCTION CAPACITY REACHED 6.2 MILLION UNITS IN 2006 AND MORE THAN 4.2 MILLION UNITS WERE MANUFACTURED.

ASSESSMENT BY THE VESTEL GROUP OF COMPANIES
EXECUTIVE COMMITTEE MEMBER RESPONSIBLE FOR WHITE GOODS

BUILDING UPON ITS SUCCESSES YEAR AFTER YEAR, IN 2005 VESTEL WHITE GOODS RANKED 27TH AMONG THE İSTANBUL CHAMBER OF INDUSTRY'S LIST OF TURKEY'S 500 BIGGEST PUBLIC AND PRIVATE INDUSTRIAL CONCERNS.

Building upon its successes year after year, in 2005 Vestel White Goods ranked 27th among the İstanbul Chamber of Industry's list of Turkey's 500 biggest public and private industrial concerns.

A huge competitive edge, a solid market position, proximity to European markets and the logistical advantages that entails, an optimized cost vs quality structure, a well-established distribution network, flexible production competencies, economies of scale arising from high production volumes, an extensive network of national and international suppliers, and quick access to domestic suppliers all combine to give Vestel White Goods a huge competitive edge.

An ability to undertake every aspect of production from initial design to sending finished products out the door makes Vestel White Goods the choice of some of the world's biggest "A-Brand" firms for their OEM and ODM services. Whirlpool, Vestfrost, and Electrolux are just three of the world's leading white goods producers who most recently joined the ranks of our strategic business partners.

Because of the pressures exerted on producers in the European market and the inability of Far Eastern firms to compete in that market for logistical reasons, Vestel White Goods has achieved the distinction of being the only firm preferred by many European producers for OEM and ODM services.

In 2006 Vestel White Goods booked sales worth a total of USD 783 million, 62% of which was generated by exports.

Sales are made in Turkey and to countries in its hinterland under the Vestel trademark. Our domestic sales are handled by Vestel Marketing, whose strong and extensive sales and service network, increasingly proliferating "concept stores", and multi-brand marketing strategy all give it a superior market position. Vestel White Goods' shares of the domestic market vary between 15-18% depending on the product group.

A marketing organization set up in a region extending from the Balkans to CIS countries where we sell branded products internationally has contributed significantly to our efforts to create a chain of retail stores.

The contributions of Vestel White Goods' production to Turkey's white goods exports and its share of those exports continue to increase strongly. Last year we commanded a 37% share of the country's refrigerator exports and a 33% share of its washing machine sales. 83% of the company's international sales are made to

TOTAL SALES
(USD million)

783

European countries. In refrigerators, our primary home appliance, our share of the European market reached 11% last year. These sales are made through Vestel Foreign Trade, which has representatives at 8 locations outside Turkey.

Vestel White Goods: A sense of social and environmental responsibility

Vestel White Goods is firmly committed to the principles of respecting people and of acting out of a sense of social responsibility that are rooted in the corporate values and culture of the Zorlu Group of which it is a member.

This approach manifests itself in the form of human resources that are capable of thinking and acting in concert and in line with shared goals. Vestel White Goods employs a quite a young workforce whose average age is 28.66 years. Dynamic, proactive, resourceful, and results-focused people who are willing to take the initiative and accept responsibility contribute greatly towards the company's success.

Vestel White Goods adheres to a constructive approach in the matter of complying with international standards in order to eliminate or at least minimize the adverse impact of its production activities on people and the environment. Vestel White Goods' production activities conform to RoHS, WEEE, and new safety standards and directives. In addition to having been awarded ISO 9001-2000 Quality Management System certification, the company also complies with other standards such as KEMA and it is a BEAB "approved factory" manufacturer.

The leading edge in R&D

Research and development is recognized throughout the Vestel Group as the primary source of our competitive edge. The successes that we have achieved in new technology, design, and products as a result of our R&D activities are admired by manufacturers and consumers everywhere.

We continue to invest in R&D without letup. R&D at Vestel White Goods is carried out on a product group basis, which means that every factory has an R&D team of its own on the premises. The total number of R&D personnel employed in 2006 was 130 and it is planned to increase this number to 169 during 2007. R&D at Vestel White Goods is conducted on two different fronts. One group engages primarily in research and focuses on creating new technologies that can be used in new or existing products. The other concentrates on further developing existing products. The number of industrial applicability applications made and patents received are the clearest possible evidence of the success of the Vestel White Goods R&D team.

Forward into the future

Vestel White Goods will continue to cater to the needs and tastes of consumers everywhere with the new models and designs that it develops in its ongoing effort and determination to remain one step ahead of its customers' preferences. The dedicated efforts of all our employees, the creativity of our engineers, and new home concepts driven by advanced technology will enable us to take advantage of every opportunity to offer people a more comfortable and enjoyable future.

İzzet Güvenir
Member of the Executive Committee

OUR SUCCESSES IN NEW TECHNOLOGY, DESIGN, AND PRODUCTS AS A RESULT OF OUR R&D ACTIVITIES ARE ADMIRED BY MANUFACTURERS AND CONSUMERS EVERYWHERE.

EXECUTIVE COMMITTEE

(1)
İzzet Güvenir
Executive Committee Member

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

(2)
Cengiz Ultav
Executive Committee Member

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

(3)
Enis Turan Erdoğan
Executive Committee Member

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

(4)
Cem Köksal
Executive Committee Member

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

(5)
Ömer Yüngül
Chairman of the Executive Committee

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

(6)
İhsaner Alkım
Executive Committee Member

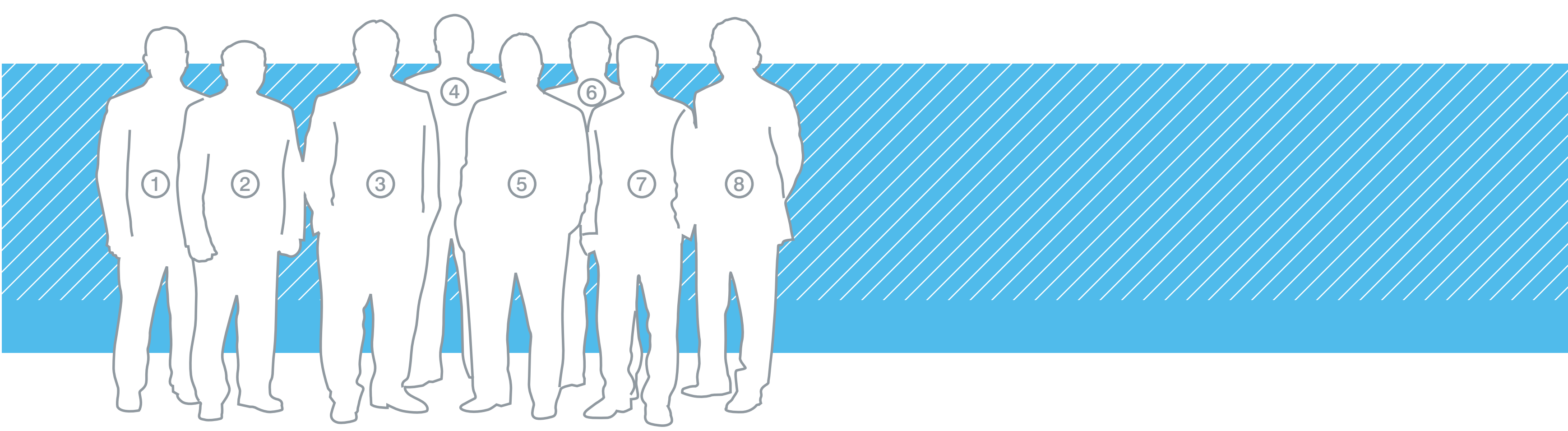
(1954, Kırcaali) İhsaner Alkım graduated from İstanbul Technical University (Department of Electronics and Communications Engineering) in 1977. After serving in various positions in the electronics and communications sectors, he joined Vestel in 1988 and since then has been undertaking duties in matters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

(7)
Necmi Kavuşturan
Executive Committee Member

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

(8)
Özer Ekmekçiler
Executive Committee Member

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



SENIOR MANAGEMENT

İzzet Güvenir

Nedim Sezer

Alp Dayı

Umut Gönen

Serhat Tolga Sönmez

Kemal Özgür

Cevdet Yavuz

Erdal Haspolat

Hakan Akıncı

İzzet Güvenir
Member of the Executive Committee

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

Nedim Sezer
General Manager

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

Alp Dayı
Assistant General Manager, Financial Affairs

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

Umut Gönen
Assistant General Manager, Procurement

Mr. Gönen graduated from İstanbul Technical University with a B.Sc degree in mechanical engineering in 1992. Mr. Gönen has served as the R&D Manager at İnci Akü between 1992-1993 and as the Purchasing Engineer at BMC between 1995-1996 and as the Chief of Quality Assurance & New Projects at Raksev A.Ş. between 1996-1999. He has served in various positions in Vestel Group and is currently the Assistant General Manager responsible for purchasing.

Serhat Tolga Sönmez
Manager of the Refrigerator Plant

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

Kemal Özgür
Manager of the Washing Machine Plant

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

Cevdet Yavuz
Manager of the Cooker Plant

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

Erdal Haspolat
Manager of the Dishwasher Plant

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

Hakan Akıncı
Manager of the Air Conditioner Plant

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

MANAGEMENT'S ASSESSMENT AND ANALYSIS OF THE YEAR'S OPERATIONAL RESULTS

AS IT HAS BEEN DOING NOW FOR SEVERAL YEARS, VESTEL WHITE GOODS CONTINUED TO GROW STRONGLY IN 2006.

SALES REVENUES
(USD million)
783

EXPORT REVENUES
(USD million)
486

EBITDA MARGIN
12%

ECONOMIC AND SECTORAL DEVELOPMENT IMPACTING THE COMPANY'S ACTIVITIES

Economic review

- The world economy and global trade continued to grow in 2006. Estimates put global growth at 5.1% year-on while the volume of global trade expanded 9%.
- The Turkish economy registered a 6% rate of growth in 2006, a performance that made it the fifth consecutive year of uninterrupted growth.
- The year-on rise in the consumer price index in 2006 was 9.65%. The biggest contributors to this increase in inflation were costlier oil, the price of which began to rise as early as the first quarter, volatilities experienced in financial markets in May and June, and a weak Turkish lira that depreciated against the euro and even the dollar.
- Exports in 2006 were up 15.9% year-on and reached USD 85.1 billion in value while at USD 137 billion, imports increased 17.3% during the same period. This performance widened the foreign trade deficit 19.8% to USD 51.9 billion. The ratio of exports to imports, which was 62.9% in 2005, slipped slightly under a whole point to 62.1% in 2006.

Sectoral review

- Total domestic sales of the company's four main product groups (refrigerators, washing machines, cookers, and dishwashers), were up 5% in 2006. Looking at the details of this growth one observes that it was driven mainly by two groups-dishwashers and cookers-whose levels of market saturation are still low compared with those of refrigerators and washing machines. The increasing numbers of housing starts over the last few years has been having a positive impact on the demand for built-in units, and this was particularly true in the case of cookers in 2006.
- In view of improved political and economic expectations paralleling the country's EU accession process, greater purchasing power, a high rate of population growth, low rates of penetration in some product groups, demand driven by replacements and renewals, and new products incorporating new technologies coming onto the market, the future of the Turkish white goods sector looks bright indeed.
- The increase in the country's white goods exports continues and there was a year-on rise of 33% in 2006. In several categories Vestel White Goods' own export performance has been above that of the sector. Turkey's exports of refrigerators in 2002-2006 for example were up an average of 21% a year whereas our company's increased an average 32% a year. In the case of washing machines, the overall year-on rise in exports in 2004-2006 averaged 26% while Vestel White Goods' exports of this product group increased an average 73% a year. The company's overall contribution to and share of Turkey's white goods exports both continue to grow strongly.
- White goods producers in Europe suffer from extremely thin profit margins due to low rates of population growth, high rates of market saturation, and increasingly more expensive manpower and raw materials.
- Due to their higher production costs, European white goods producers are shutting down their own production facilities and either setting up smaller ones in eastern European countries, where costs are lower, or else they are having appliances built by manufacturers in those countries.
- Because of the high shipping costs that they incur, competition in the white goods sector is regional rather than global in scale, which means that our own company's chief competitors are in eastern Europe. Nevertheless due to its geographical location, its low-cost yet high-quality labor, and broad base of component manufacturers, Turkey is becoming Europe's production center for brown and especially white goods.

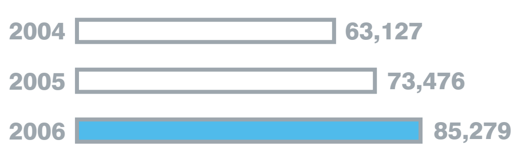
For these reasons, Vestel White Goods enjoys many superior competitive advantages as the exclusive "OEM/ODM only" producer in Europe today.

WHITE GOODS EXPORTS

(unit)

10,352,890

TURKEY'S TOTAL EXPORTS
(USD million)



WHITE GOODS SECTOR IN 2006

Product	Production	Change (%)	Import	Change (%)	Domestic Sales	Change (%)	Export	Change (%)
Refrigerators	6,739,881	23	242,034	283	2,109,663	1	4,795,545	32
Washing Machines	5,277,265	19	138,761	23	1,778,523	-3	3,527,397	31
Dishwashers	1,179,722	51	246,198	23	838,722	33	569,690	56
Cookers	2,200,945	33	68,770	39	726,408	14	1,460,258	32
Total	15,397,813	25	695,763	63	5,453,316	5	10,352,890	33

Source: *Association of White Goods Manufacturers*

WHITE GOODS DOMESTIC SALES

(unit)

5,453,316

ASSESSMENT OF THE YEAR'S ACTIVITIES

Developments in production

As it has been doing now for several years, Vestel White Goods continued to grow strongly in 2006. This growth is supported principally by capacity expansion and by new product investments. The dishwasher factory investment that was launched in late 2005 continued during 2006 and trial production began at the plant in February 2007. Investments to increase production flexibility, model numbers, and capacity at the refrigerator, washing machine, and cooker factories were completed during 2006. As a result of these investments, our total production capacity has reached 6,200,000 units a year.

Total production in 2006 was 4,230,970 units, a figure that corresponds to a year-on rise of 33% and to a capacity utilization rate of 70%.

The long-term OEM/ODM agreements that Vestel White Goods enters into with the world's giant white goods producers within the framework of its vision of increasing its domination of national and international markets through international collaborations continued in 2006. The strategic business partnerships most recently entered into with Electrolux and Whirlpool are two more links in the chain of making this vision a reality.

In the production that it undertakes in line with the demands of "A-Brand" firms, Vestel White Goods itself takes care of all aspects from industrial design, R&D, and engineering to final product. Vestel White Goods' production flexibility enables it to quickly provide whatever gamut of models its customer may require for every product group.

CAPACITIES (units)

	Enclosed Space (m^2)	Production Capacity
Refrigerators	145,463	2,500,000
Washing Machines	31,876	2,000,000
Air Conditioners	14,000	700,000
Dishwashers	16,000	
Cookers	35,150	1,000,000
Warehouse	35,600	
Total	278,089	6,200,000

PRODUCTION (units)

	2004	2005	2006
Refrigerators	1,415,188	1,718,091	2,174,527
Washing Machines	712,858	1,020,850	1,451,017
Air Conditioners	287,379	369,497	214,913
Cookers	-	76,982	390,513
Total	2,415,425	3,185,420	4,230,970

TOTAL PRODUCTION CAPACITY OF VESTEL WHITE GOODS

(units)

6,200,000

VESTEL WHITE GOODS PRODUCTS

Refrigerators
Electronic and mechanical-controlled no-frost, combi, double door, single door, and under-worktop refrigerators as well as deep freezers.

Air conditioners
Single and multiple split air conditioners that incorporate all of the cooling and heating functions made available by state-of-the-art technology, are equipped with electronic remote control, come in a range of BTU options, and are aesthetically designed to fit in with home decors.

Washing machines
Washing machines with washing capacities between 3 and 7.5 kilograms and equipped with mechanical and electronic timers and controls for speeds ranging between 400 and 1,600 rpm.

Cookers
Gas and electrical full-sized cookers and gas/electrical ranges equipped with a variety of options.

Dishwashers
Since February 2007, 2-6 program models in a variety of decors.

TOTAL PRODUCTION IN 2006 WAS 4,230,970 UNITS, A FIGURE THAT CORRESPONDS TO A YEAR-ON RISE OF 33%.

Sales

Vestel White Goods' total sales were up 37% in 2006 and approached 4.3 million units. This increase was driven to a substantial degree by strong growth in exports that countered rather weak domestic demand. In the refrigerator and washing machine groups the year-on rises in unit sales were 32% and 40% respectively.

Vestel White Goods' total sales revenues in 2006 were up 30% on a USD basis and as a result of this successful performance they reached USD 783 million. Exports outweighed domestic sales significantly and accounted for a 61% share of the company's total turnover last year (55% in 2005).

Supplying a diversified line of products that are targeted at different customer segments and with a low cost structure and flexible production competencies, Vestel White Goods is the only OEM/ODM making goods for "A-Brand" producers today and its share of the European market is growing steadily. 83% of Vestel White Goods' exports are shipped to European countries.

Looking at sales revenues on a product group basis, the biggest contributor to total turnover was refrigerators (51%) followed next by washing machines (31%).

Sales (units)

Product	2004	2005	2006
Refrigerators	348,515	377,778	371,254
Washing Machines	309,960	285,253	271,444
Air Conditioners	117,937	184,250	160,951
Cookers	-	71,285	155,895
Total domestic sales	776,412	918,566	958,964
Refrigerators	1,068,666	1,316,687	1,871,579
Washing Machines	383,472	730,325	1,152,509
Air Conditioners	161,925	148,145	76,498
Cookers	-	1,156	208,729
Total exports	1,614,063	2,196,313	3,308,961
Refrigerators	1,417,181	1,694,465	2,242,833
Washing Machines	693,432	1,015,578	1,423,953
Air Conditioners	279,862	332,395	237,449
Cookers	-	72,441	364,624
Total	2,390,475	3,114,879	4,268,859

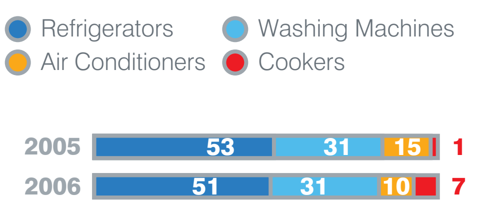
** Vestel White Goods' marketing activities and sales are carried out by two Vestel Group companies, Vestel Durable Goods Marketing and Vestel Foreign Trade.*

BREAKDOWN OF SALES REVENUES

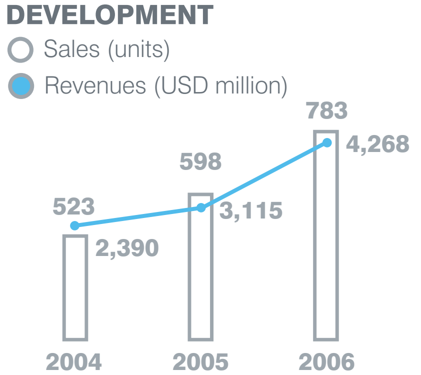
Sales Revenues (USD million)	2005	2006
Domestic	269	297
Export	329	486
Total	598	783
Domestic (%)	45	38
Export (%)	55	62

BREAKDOWN OF SALES REVENUES BY PRODUCT

(%)



SALES, AMOUNT-REVENUE DEVELOPMENT



Market position

Paralleling the growth experienced particularly in the last few years, Vestel White Goods' shares of Turkey's refrigerator and washing machine exports have now topped 30% in both product groups. In 2006, Vestel shipped 37% of all the refrigerators exported from Turkey as well as 33% of the washing machines.

In view of its growing customer base and expanding product gamut, there is every reason to expect that the company's shares of Turkey's white goods will continue to increase in the future. In the domestic market, Vestel White Goods is one of the sector's biggest players with market shares ranging between 15-18%. The company's goal is to increase this to the 25-30% range.

Domestic sales of cookers have been growing strongly and rapidly and this is having a direct impact on the company's market share in this segment. The introduction of built-in units conforming to new home concepts is one factor that has increased the momentum of these sales. Having only begun exporting cookers in 2006, Vestel has already built up a market share of nearly 8%.

Profitability analysis

Increases in productivity driven by high capacity utilization rates in 2006 combined with a weak Turkish lira that lost value especially against the euro had a favorable impact on the company's gross and operating profit margins. The EBITDA (earnings before interest, taxes, depreciation, and amortization) ratio of 11% in 2005 increased a point to 12% in 2006. However due to the company's approximately USD 67 million foreign-currency short position as of end-2006, that improvement had limited impact on its net profit margin, which remained at the previous year's 6% level.

The following factors contributed towards the rise in profit margins:

- Fixed costs per unit are being driven down by steady rises in output and turnover figures. Ongoing efforts to reduce procurements costs and improve productivity also contribute to greater profitability.
- Vestel White Goods has a strong advantage in the close relationships that it has with the crucially important makers of the components that are used in the manufacture of its products. Half of all the company's procurements are made from within the country and 74% of those are obtained from its home base in Manisa and its immediate environs. Five years ago such local suppliers contributed only a 34% share of the company's total domestic procurements.
- The materials that are commonly used in the manufacture of brown and white goods are centrally procured, a practice that significantly amplifies the company's bargaining strength when dealing with suppliers.
- The bringing together of all production facilities at Vestel City in Manisa allows the company to benefit from the economies of scale arising from high capacity while also further enhancing productivity and creating cost advantages. This too contributes favorably towards the company's revenue base.

Indebtedness

Gross financial debt as of end-2006 amounted to USD 66 million. The ratio of gross financial debt to shareholders' equity as of the same date was 21%, just under half the 43% level that it was the year before. As a result of improvement on the working capital side, net financial debt contracted from around USD 84 million at the end of Q3 2006 to USD 57 million by the year's end.

Investment outlays

Vestel White Goods spent USD 35 million on all its investments during 2006. These investments were concerned predominantly with capacity expansion and with the company's new dishwasher factory. The company plans to invest USD 49 million during 2007.

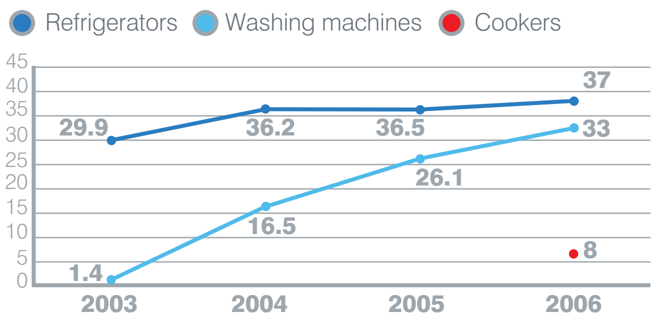
R&D investments in 2006 amounted to USD 9 million, a figure that corresponds to 1.1% of total investment.

INVESTMENTS IN 2006

Invested amount (USD million)	
Refrigerator Plant	7.3
Washing Machine Plant	9.5
Air Conditioner Plant	1.4
Cooker Plant	3.3
Dishwasher Plant	13.4
Total	34.9

MARKET SHARES CHANGES IN EXPORT

(%)



Expectations and outlook for the future

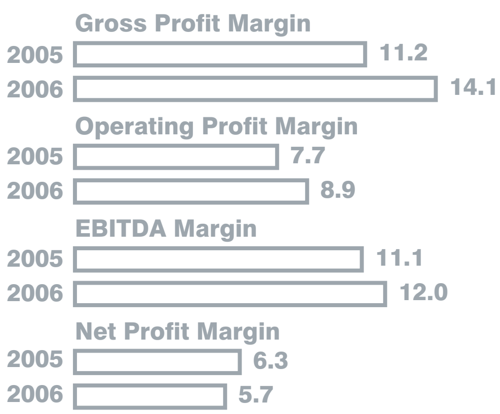
High interest rates and uncertainties on the political front require one to be cautious when making any projections about 2007. Nevertheless it is believed that the essential completion of the company's new product investments will have a positive impact on its revenues and that sales will continue to increase at their existing level in line with demand coming from "A-Brand" producers and from retail chains.

Looking somewhat further ahead, it is foreseen that energy-economical appliances and products that are noise-minimized will be dominating the market. It is expected that "artificial intelligence" in refrigerators, air conditioners that can be remote-controlled by GSM messages, and induction technology in cookers will emerge to the fore.

In the somewhat more distant future, washing machines that select their own programs and minimize the amount of a user's "hands-on" time when doing a wash will become popular. More intelligent machines are likely to start coming onto the market with advances in electronics. Paralleling such developments will be the introduction of technologies that increase users' sense of security in issues related to hygiene and health.

Among the company's medium-term projects is a factory to build clothes dryers.

PROFIT MARGINS
(%)



VESTEL WHITE GOODS' DISTRIBUTION NETWORK

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

Vestel Foreign Trade

- Exports products to more than 100 countries around the world.
- Is a distributor in 8 European countries.
- Has a strong competitive edge in foreign markets thanks to its flexibility in meeting customers' needs, a talent for adapting quickly to changing market conditions, and a strong and sure hand in after-sales services.

Vestel Durable Goods Marketing

- Has a nationwide sales and service capability with 1,250 showrooms, 570 authorized service outlets, and 5,100 service personal all over Turkey.
- Takes a customer and sales-focused approach through its "concept stores" and multi-brand strategy.
- Is the hub of an effective dealership and service outlet management system that incorporates GIS (Geographical Information System) technology.
- Provides live product training online to 250 dealers and their personnel around the country via satellite services supplied by Vestel Group company Dexar.
- Deploys a Manugistics system to achieve a 90% level of productivity in its resource planning, logistics, and supply chain management.
- Adheres to an active communication and marketing strategy that has made Vestel one of the top ten recognized brand names in Turkey.

During 2006 Vestel White Goods continued to increase the number of its "concept stores", which are based on a multi-brand sales model that includes Vestel products. As of year-end, the number of such stores had reached 101.

A new sales and after-sales services organization is being set up to expand the Vestel trademark into new markets outside Turkey: Russia and CIS countries (Ukraine, Georgia, Azerbaijan, Armenia); Middle East (Syria, Iran, Iraq); South Asia (India, Pakistan); North Africa (Egypt). In the case of Turkic republic, Middle East, and North Africa markets it has been decided to open standard showrooms that sell only Vestel products. The number of these outlets is currently 30.

Another project that is in the works is aimed at strengthening the company's position in its domestic market by restructuring the sales network through store renovations, improvements in point stores, moving stores to better locations (in shopping centers, etc), and building a bigger and more effective service network.

VESTEL DURABLE GOODS MARKETING HAS A NATIONWIDE SALES AND SERVICE CAPABILITY WITH 1,250 SHOWROOMS, 570 AUTHORIZED SERVICE OUTLETS.

THE OBJECTIVE OF R&D AT VESTEL WHITE GOODS IS TO IMPROVE ITS OWN PRODUCTS IN ORDER TO INCREASE ITS COMPETITIVE STRENGTH IN INTERNATIONAL MARKETS.

The objective of R&D at Vestel White Goods is to improve its own products in order to increase its competitive strength in international markets.

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

Vestel White Goods' research and development division consists of individual departments each of which is concerned with all aspects of its own production line. Every factory has its own R&D unit that reports directly to the factory manager. The total number of R&D personnel employed in 2006 was 130 and it is planned to increase this number to 169 during 2007. These R&D teams are responsible for:

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

The common objective of every Vestel White Goods' R&D department is to develop its own products so as to support efforts to further increase the company's competitive strength in international markets and to enhance customer satisfaction.

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

In line with this, R&D personnel:

- Closely monitor technical, academic, and industrial publications related to white goods and keep abreast of sectoral innovations and developments.
- Keep a close watch on customers' needs and wishes through customer visits and by attending fairs and exhibitions. New products are designed and existing ones are modified accordingly.
- Design products incorporating enhanced functions and features and improved production parameters.
- Carry out trial production so as to obtain pre-producing qualification for newly designed or improved products.

The success of the Vestel White Goods R&D team can be seen in the number of patents that the company has applied for and received. 44 industrial applicability/patent applications have been made and 6 of them have been registered to date. In addition, of the 21 industrial design applications that have been made, 17 have been registered.

Strong R&D competencies = Innovative products

Vestel White Goods was the first manufacturer in Europe to produce no-frost model refrigerators employing R600 refrigerant. Having successfully completed the biggest and most extensive no-frost refrigerator project in Europe, Vestel White Goods is now delivering these units to customers.

Vestel White Goods put the first negative ion generator products on the market in Turkey. The company also produced the country's first air conditioners with anti-allergenic filters and designed its first DC inverter class A air conditioner.

Vestel White Goods designed and produces Turkey's highest-capacity (7.5 kg) washing machine and also the country's first washing machine equipped with anti-bacterial filtration.

VESTEL WHITE GOODS' SENSITIVE APPROACH TO ENVIRONMENTAL, OCCUPATIONAL SAFETY, AND EMPLOYEE HEALTH ISSUES AND ITS PRACTICES ARE ALSO A REFLECTION OF THE VESTEL GROUP'S CORPORATE VALUES.

Human resources at Vestel White Goods

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

At end-2006 Vestel White Goods had 4,155 people on its payroll, of which 3,766 were blue collar and 389 were white collar workers.

Vestel White Goods employs a workforce whose profile is quite youthful. The average age of all employees is 28.7 years. In senior management, the average age is 36.7 years and in middle management it is 30.4 years. Among other white-collar personnel, the average age is 27.5 years.

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

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

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

Work is currently in progress on the company's ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health & Safety Management System certifications, both of which should be received by the end of 2007.

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

Vestel White Goods fulfills all the responsibilities incumbent upon it as a good corporate citizen on all issues related to minimizing the environmental impact of its activities and to delivering to market only products that are environmentally compatible. Since June 2006, all of the company's products have been manufactured in compliance with the EU Restriction of Hazardous Substances (RoHS) Directive and complies with the use limits specified in that directive for six restricted substances (lead, mercury, cadmium hexavalent chromium (chromium VI or Cr6+), polybrominated biphenyls (PBB), and polybrominated diphenyl ether (PBDE)) in products.

Paralleling RoHS, Vestel White Goods also complies with the EU Waste of Electrical and Electronic (WEEE) Directive, under which every manufacturer is held responsible for the safe disposal/recycling of its own waste electrical and electronic equipment.

Priority is also given to manufacturing class A+ or class A products at Vestel factories so as to ensure that natural resources and electricity are used as efficiently as possible.

Within the framework of its occupational health and safety principles, Vestel White Goods:

- Fulfills all of the requirements of laws, regulations, and administrative provisions; complies with the rules of the organizations of which it is a member; and continuously ensures that international standards, new technologies, and employee suggestions are incorporated into its policies and practices concerning such issues.
- Identifies and analyzes its occupational health and safety risks and develops and implements plans aimed at preventing work-related accidents and diseases.
- Ensures that its personnel at every level are aware of their responsibilities for occupational health and safety and provides continuous training on health and safety risks so as to inculcate correct habits and behavior.
- Adheres to the principle of "the right person for the right job" in its efforts to prevent or minimize work-related accidents.

Vestel White Goods' fundamental working principles to prevent or minimize work-related accidents consist of:

- Eliminating or reducing unsafe conditions and movements within the workplace
- Frequently reviewing working conditions and taking appropriate measures when problems are identified
- Ensuring that such measures are provided with the resources they need to be effective
- Reviewing occupational health and safety policies and practices in light of changing conditions and requirements.

CORPORATE GOVERNANCE COMPLIANCE REPORT

CONTENTS

CORPORATE GOVERNANCE COMPLIANCE REPORT

1- STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

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

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

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

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

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

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

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

CORPORATE GOVERNANCE COMPLIANCE REPORT

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

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

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

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

Ahmet Nazif Zorlu
Chairman of the Board

Cem Köksal
Board Member

CORPORATE GOVERNANCE COMPLIANCE REPORT

PART I- SHAREHOLDERS

2- INVESTOR RELATIONS UNIT

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

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

The principal activities carried out by the Corporate Finance and Investor Relations Department in 2006 on behalf of Vestel White Goods Inc. are summarized below:
- IPO roadshow (London, New York and Frankfurt)
- Deutsche Securities Conference, New York
- Global Investment Conference, London
- ING Barings Conference, Prague
- About 20 face-to-face contacts

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

3- SHAREHOLDERS' EXERCISE OF THEIR RIGHT TO OBTAIN INFORMATION

• During 2006, queries have been received from investors and stakeholders in a variety of topics. The distribution of these queries on the basis of their contents is presented below:
33% - IPO (30 queries)
17% - share prices (15 queries)
17% - various questions (15 queries)
33% - operational and financial performance (30 queries)

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

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

4- INFORMATION ABOUT GENERAL MEETINGS

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

CORPORATE GOVERNANCE COMPLIANCE REPORT

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

5- VOTING RIGHTS AND MINORITY RIGHTS

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

6- DIVIDEND DISTRIBUTION POLICY AND TIMING

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

7- TRANSFER OF SHARES

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

PART II- PUBLIC DISCLOSURE AND TRANSPARENCY

8- COMPANY DISCLOSURE POLICY

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

CORPORATE GOVERNANCE COMPLIANCE REPORT

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

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

- The clarity, timeliness, and truthfulness of public disclosures.
- The frequency and the ways in which information may be publicly disclosed.
- Contents of the meetings to be held with, and disclosures to be made to, investors
- Content of the disclosure on general meetings
- Disclosure of material events
- Disclosures to be made to the media
- Arrangements concerning insider trading
- Disclosure on dividend distribution
- Persons authorized to make disclosures
- Contents of disclosure sources (website and annual reports)
- Periods during which disclosure is prohibited
- Disclosures to be made regarding future matters

• The Board of Directors has formulated and approved the Company's public disclosure policy. The Board of Directors is responsible for the review, effectiveness and development of public disclosure policy. The Investor Relations and Corporate Finance Department monitors and follows up on public disclosure policy.

9- DISCLOSURE OF MATERIAL EVENTS

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

10- THE CORPORATE WEBSITE AND ITS CONTENT

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

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

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

SHAREHOLDERS	% SHAREHOLDING INTEREST	SHARE VALUE	NUMBER OF SHARES
Vestel Electronics Inc.	68.526312	130,199,993.0	130,199,993.0
Ahmet Nazif Zorlu	0.000001	1.0	1.0
Şule Zorlu	0.000001	1.0	1.0
Ömer Yüngül	0.000001	1.0	1.0
Bekir Cem Köksal	0.000001	1.0	1.0
Enis Turan Erdoğan	0.000001	1.0	1.0
Ekrem Pakdemirli	0.000001	1.0	1.0
Recep Yılmaz Argüden	0.000001	1.0	1.0
Quoted on the ISE	31.473684	59,800,000,0	59,800,000.0
TOTAL	**100.000000%**	**190,000,000.0**	**190,000,000.0**

The Company has no non-corporate ultimate controlling shareholders.

CORPORATE GOVERNANCE COMPLIANCE REPORT

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

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

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

PART III- STAKEHOLDERS

13- KEEPING STAKEHOLDERS INFORMED

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

CORPORATE GOVERNANCE COMPLIANCE REPORT

14- STAKEHOLDER PARTICIPATION IN MANAGEMENT

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

15- HUMAN RESOURCES POLICY

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

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

16- RELATIONS WITH CUSTOMERS AND SUPPLIERS

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

17- SOCIAL RESPONSIBILITY

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

CORPORATE GOVERNANCE COMPLIANCE REPORT

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

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

PART IV- BOARD OF DIRECTORS

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

Name	Position	Age	Term of office	Classification	Educational background	Previous Experience
Ahmet Nazif Zorlu	Chairman	62	1-3 years	Non-executive	Primary school	-
Ekrem Pakdemirli	Deputy Chairman	67	1-3 years	Independent	University	- Member of the Parliament - Deputy Prime Minister - Faculty member of Bilkent, Başkent and Ege Universities - Deputy Rector with Dokuz Eylül University
Şule Zorlu	Board Member	30	1-3 years	Non-executive	University	Served successively in various capacities in Zorlu Group companies
Ömer Yüngül	Board Member	51	1-3 years	Executive	University	Vestel White Goods (General Manager)
Enis Turan Erdoğan	Board Member	51	1-3 years	Executive	University	Ekinciler Holding
Recep Yılmaz Argüden	Board Member		1-3 years	Independent	University	- Chief Consultant to the Prime Minister - Chairman of Erdemir
Bekir Cem Köksal	Board Member		1-3 years	Executive	University	Vestel Electronics Financial Affairs Officer

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

CORPORATE GOVERNANCE COMPLIANCE REPORT

19- QUALIFICATIONS OF BOARD MEMBERS

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

20-MISSION, VISION AND STRATEGIC GOALS OF THE COMPANY

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

21- RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

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

22- AUTHORITIES AND RESPONSIBILITIES OF BOARD MEMBERS AND EXECUTIVES

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

23- PRINCIPLES OF ACTIVITY OF THE BOARD OF DIRECTORS

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

CORPORATE GOVERNANCE COMPLIANCE REPORT

24- PROHIBITION ON DOING BUSINESS OR COMPETING WITH THE COMPANY

• One of the items included on the agenda of each year's general meeting and voted on by the shareholders pursuant to articles 334 and 335 of the Turkish Commercial Code is concerned with Vestel Board of Directors members doing business and competing with the Company. In addition, article 11 of the Company's articles of incorporation stipulates that such approval can be decided with the consent of ? of the attendants at the general meeting.

• No board member did any business with the Company in 2006, nor were there any matters that might lead to competition with the Company or any conflict of interest.

25- CODE OF ETHICS

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

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

• The Vestel White Goods Inc. Board of Directors has set up a corporate governance and appointments committee and an audit committee in line with Capital Markets Board corporate governance principles.

• No committee member serves on more than one committee.

The principles relating to the Audit Committee are as follows:

• The Audit Committee was set up by a Board of Directors resolution dated 23 March 2006 pursuant to article 3 of CMB Communiqué X:19. This committee is responsible for the effective oversight of all financial and operational activities.

• The Audit Committee is structured in accordance with Capital Markets Board corporate governance principles and consists of at least two members.

• The head of the committee has been selected from among the Company's independent board members and attention is also given to the possession of specific qualifications. The head of the Audit Committee should have previously served in a similar position, should have the knowledge and experience needed to analyze financial statements, should be versed in accounting standards, and otherwise be highly qualified.

• The head of the Audit Committee is Ekrem Pakdemirli, an independent board member. The other member is Cem Köksal. In the distribution of duties in the Board of Directors for 2007, it is planned to select the Audit Committee member from amongst non-executive board members.

• The Audit Committee meets at least four times a year (once in each quarter) and this is stipulated in the articles of incorporation (Article 35).

• The minutes and decisions of the Audit Committee are recorded and archived by the secretariat. The Audit Committee meets before the announcement of financial statements in each fiscal year.

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

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

Corporate Governance and Appointments Committee

• The Corporate Governance and Appointments Committee was set up by a Board of Directors resolution dated 23 March 2006 pursuant to the CMB Communiqué on Corporate Governance Principles. This committee is responsible for monitoring the Company's compliance with corporate governance principles and for making recommendations to the Board of Directors concerning company appointments.

• The Committee consists of 2 individuals selected from amongst the Board members. The head of the Corporate Governance Committee is Yılmaz Argüden, who has been elected from amongst non-executive members. The other member is Şule Zorlu.

• The Corporate Governance and Appointments Committee is required to meet at least three times a year. In 2006 the committee met three times.

CORPORATE GOVERNANCE COMPLIANCE REPORT

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

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

27- FINANCIAL BENEFITS PROVIDED TO THE BOARD OF DIRECTORS

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

PROFIT DISTRIBUTION POLICY AND PROPOSAL

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

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

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

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

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
STATUTORY AUDITOR'S REPORT

Headquarters	: Ambarlı Yolu, Zorlu Plaza, Avcılar, İstanbul
Capital	: 190.000.000 YTL
Name of Auditor	: Coşkun Özkan, CIA, CFE
Board Meeting participated in	: 2006 Accounting Period
Accounts, books and documents, scope of auditing, dates of auditing and results obtained	: The Company's balance sheet as of 31.12.2006 and the last twelve-month income statement for the period ended on the same date were audited. It was evaluated whether the records were in line with the law, provisions of the Articles of Association and with general principles of accounting. The recommendations were provided to further strengthen the internal audit process on specific issues. It was agreed with the company officials for the implementation of these proposals.
Number and results of cash counts performed in accordance with the Turkish Commercial Code, Art. 353, paragraph 1, sub-prgh. 3	: A cash count was performed as of 31.12.2006 and it was observed that the results of the cash count was in line with the records.
Complaints and frauds reported and procedures initiated with respect to these	: No complaint or fraud has been reported.

We have studied the accounts and transactions of Vestel Beyaz Eşya Sanayi Ve Ticaret A.Ş. for the period 01.01.- 31.12.2006 in accordance with the Turkish Commercial Code, the company's Articles of Association and other regulations as well as with generally accepted accounting principles and standards.

We think that Balance Sheet of the company as of 31.12.2006, whose contents we have studied and attached hereto, reflect the actual financial condition of the company on the same date and the Income Statement for the period correctly reflect the financial status of the company during the period in question and are in compliance with its books and records.

We submit the Balance Sheet and Income Statement for your approval and propose that the Board of directors be acquitted of their fiduciary responsibilities.

Coşkun ÖZKAN, CIA, CFE
Statutory Auditor

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
RESOLUTION OF THE BOARD OF DIRECTORS

RESOLUTION DATE	: 26.04.2007
RESOLUTION NO	: 2007/13
PARTICIPANTS	: Ahmet Nazif Zorlu Ekrem Pakdemirli Şule Zorlu Ömer Yüngül Enis Turan Erdoğan

MEETING AGENDA:
The Board of Directors of VESTEL BEYAZ EŞYA SANAYİ VE TİCARET ANONİM ŞİRKETİ convened at the company's headquarters under the chairmanship of Mr. Ahmet Nazif Zorlu and discussed the subjects on the agenda and adopted the below-mentioned resolutions.

The Board of Directors who convened for the meeting decided unanimously to accept the 2006 Annual Report, which has been presented to the Board of Directors and is attached hereto, and to make the report available to shareholders.

BOARD OF DIRECTORS

Ahmet Nazif ZORLU
Chairman

Ekrem PAKDEMİRLİ
Vice Chairman

Şule ZORLU
Board Member

Ömer YÜNGÜL
Board Member

Enis Turan ERDOĞAN
Board Member

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31.12.2006

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

1. We have audited the accompanying financial statements of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. (the "Company"), which comprise the balance sheet as at 31.12.2006, statements of income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 issued 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 International Standards on Auditing published by Capital Market Board. 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. Our 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 and/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 accompanying financial statements present fairly, in all material respects the financial positions of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. as of 31.12.2006, and the results of its operations and cash flows for the year then ended in accordance with financial reporting standards issued by Capital Market Board.

Istanbul, 09.03.2007

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

Emre Halit
Partner

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

CONTENTS

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
BALANCE SHEETS AT 31 DECEMBER 2006 AND 2005

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

ASSETS	Note	31.12.2006	31.12.2005
Current Assets		**509.680.841**	**265.615.646**
Cash and Cash Equivalents	4	12.901.538	8.376.929
Marketable Securities (net)	5	-	-
Trade Receivables (net)	7	104.819	34.500
Financial Lease Receivables (net)	8	-	-
Due From Related Parties (net)	9	344.976.926	143.720.214
Other receivables (net)	10	16.942.364	7.424.141
Biological Assets (net)	11	-	-
Inventories (net)	12	131.094.487	101.630.639
Construction Contracts (net)	13	-	-
Deferred Tax Assets	14	2.120.840	3.389.089
Other Current Assets	15	1.539.867	1.040.134
Non-Current Assets		**326.641.620**	**311.653.484**
Trade receivables (net)	7	-	-
Financial Lease Receivables (net)	8	-	-
Due From Related Parties (net)	9	-	-
Other receivables (net)	10	-	-
Financial Assets (net)	16	-	-
Positive/negative goodwill (net)	17	-	-
Investment Property (net)	18	-	-
Property, Plant and Equipments (net)	19	324.040.328	307.730.620
Intangible assets (net)	20	1.481.286	2.384.538
Deferred Tax Assets	14	1.120.006	1.538.326
Other Non-Current Assets	15	-	-
TOTAL ASSETS		**836.322.461**	**577.269.130**

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
BALANCE SHEETS AT 31 DECEMBER 2006 AND 2005

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

LIABILITIES AND EQUITY	Note	31.12.2006	31.12.2005
Current Liabilities		**306.057.330**	**254.889.659**
Financial Liabilities (net)	6	61.283	59.335
Short term portion of long term financial liabilities (net)	6	32.419.964	16.448.098
Financial Lease Payables (net)	8	1.983.057	3.793.712
Other Financial Liabilities (net)		-	-
Trade payables (net)	7	239.308.000	171.064.824
Due To Related Parties (net)	9	18.790.548	51.914.015
Advances Received	21	-	-
Deferred Progress Billings (net)	13	-	-
Provision For Accrued Liabilities and Charges	23	7.356.598	4.311.120
Deferred Tax Liability	14	392.558	1.041.361
Other Liabilities (net)	10	5.745.322	6.257.194
Non- Current Liabilities		**75.237.479**	**92.673.911**
Financial Liabilities (net)	6	57.846.159	74.540.765
Financial Lease Payables (net)	8	1.042.206	2.836.377
Other Financial Liabilities (net)		-	-
Trade payables (net)	7	-	-
Due To Related Parties (net)	9	-	-
Advances Received	21	-	-
Deferred Progress Billings (net)	23	2.691.147	2.291.625
Deferred Tax Liability	14	13.657.967	13.005.144
Other Liabilities (net)	10	-	-
Equity		**455.027.652**	**229.705.560**
Share Capital	**25**	**190.000.000**	**138.000.000**
Investment and Share Capital Eliminating Adjustment		**-**	**-**
Capital Reserves	**26**	**118.800.673**	**9.769.852**
Share Premium		109.030.821	-
Share Cancellation Gains		-	-
Revaluation Fund		-	-
Fair Value Reserve on Financial Assets		-	-
Inflation Adjustments on Equity		9.769.852	9.769.852
Profit Reserves	**27**	**51.684.397**	**4.815.626**
Legal Reserves		5.857.288	3.513.849
Statutory Reserves		-	-
Extraordinary Reserves		45.827.109	1.301.777
Special Reserves		-	-
Property to be Added to Share Capital	-	-	
Foreign Currency Translation Difference		-	-
Net Income For The Year		**64.291.271**	**50.485.503**
Previous Years' Profits/Losses	**28**	**30.251.311**	**26.634.579**
TOTAL LIABILITIES AND EQUITY		**836.322.461**	**577.269.130**

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş. STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

	Note	01.01.-31.12.2006	01.01.-31.12.2005
OPERATING INCOME			
Sales Income (net)	36	1.119.126.589	801.311.832
Cost of Sales (-)	36	(961.320.028)	(711.665.720)
GROSS PROFITS		**157.806.561**	**89.646.112**
Operating Expenses (-)	37	(58.329.299)	(27.661.964)
NET OPERATING PROFIT		**99.477.262**	**61.984.148**
Other Operating Income and Profits	38	57.030.902	31.493.534
Other Operating Expenses and Losses (-)	38	(35.846.126)	(21.617.045)
Financing Expenses (-)	39	(47.592.547)	(13.364.782)
ORDINARY INCOME		**73.069.491**	**58.495.855**
Monetary Gain/Losses	40	-	-
INCOME BEFORE TAXES		**73.069.491**	**58.495.855**
Taxation	41	(8.778.220)	(8.010.352)
NET INCOME FOR THE YEAR		**64.291.271**	**50.485.503**
EARNINGS PER SHARE	42	0,36	0,37

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31.12.2006 AND 31.12.2005

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

		Capital Reserves		Profit Reserves				
	Share Capital	Share Premium	Share Capital Restatement Difference	Legal Reserves	Extraordinary Reserves	Previous Year Profit	Net Income For The Year	Total Share Capital
Balances at 01.01.2005	**46.000.000**	**-**	**42.401.837**	**296.233**	**-**	**20.964.727**	**69.557.260**	**179.220.057**
Increase in share capital								
- Share capital restatement difference	32.668.000	-	(32.668.000)	-	-	-	-	-
- Previous year profit	59.332.000	-	-	-	-	(59.332.000)	-	-
Transfer to previous year profit	-	-	-	-	-	69.557.260	(69.557.260)	-
Transfer to legal reserves	-	-	-	3.217.616	-	(3.217.616)	-	-
Transfer to extraordinary reserves	-	-	-	-	1.301.777	(1.301.777)	-	-
Transfer to capital reserves	-	-	36.015	-	-	(36.015)	-	-
Net income for the year	-	-	-	-	-	-	50.485.503	50.485.503
Balances at 31.12.2005	**138.000.000**	**-**	**9.769.852**	**3.513.849**	**1.301.777**	**26.634.579**	**50.485.503**	**229.705.560**
Increase in share capital								
- Public Issue	52.000.000	109.030.821	-	-	-	-	-	161.030.821
Transfer to previous year profit	-	-	-	-	-	50.485.503	(50.485.503)	-
Transfer to legal reserves	-	-	-	2.343.439	-	(2.343.439)	-	-
Transfer to extraordinary reserves	-	-	-	-	44.525.332	(44.525.332)	-	-
Net income for the year	-	-	-	-	-	-	64.291.271	64.291.271
31.12.2006 balance	**190.000.000**	**109.030.821**	**9.769.852**	**5.857.288**	**45.827.109**	**30.251.311**	**64.291.271**	**455.027.652**

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
STATEMENTS OF CASH FLOW AS OF 31.12.2006 AND 31.12.2006

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

	Note	01.01.-31.12.2006	01.01.-31.12.2005
Income before taxation		73.069.491	58.495.855
Adjustments to reconcile net income before taxation to			
net cash provided by operating activities		**55.480.110**	**31.276.547**
Depreciation and amortization		34.439.388	26.718.218
Employee termination benefits provision	23	1.160.626	768.781
Provision for diminution in value of inventories		487.263	403.054
Provision for doubtful receivables		-	(1.149)
Increase/decrease in other provisions		2.553.780	866.653
Profit/(loss) of sale of fixed assets		1.111.895	(389.277)
Interest income	38	(4.196.941)	(3.045.935)
Interest expense	39	19.924.099	5.956.202
Operating income before changes in assets			
and liabilities related with operating activities		**128.549.601**	**89.772.402**
Changes in trade receivables		(70.319)	85.481
Changes in due from related parties		(234.380.179)	37.184.752
Changes in inventories		(29.951.111)	(20.577.646)
Changes in other current assets		(10.017.956)	(4.722.393)
Changes in trade payables		68.243.176	(2.607.173)
Changes in other short term liabilities		(7.107.804)	(8.328.341)
Severance pay payment	23	(761.104)	(412.678)
Cash flow from operating activities		**(85.495.696)**	**90.394.404**
Cash flow from investing activities			
Acquisition of property, plant and equipment	19	(50.773.352)	(104.975.753)
Acquisition of intangible assets	20	(184.387)	(390.011)
Changes in investment property	19	-	-
Net cash provided by investing activities		**(50.957.739)**	**(105.365.764)**
Cash flow from financing activities			
Changes in bank loans – net		(5.428.703)	24.198.154
Changes in due to related parties		-	-
Capital increase		161.030.821	-
Interest paid		(18.821.014)	(6.503.102)
Interest income		4.196.940	3.045.935
Net cash provided by financing activities		**140.978.044**	**20.740.987**
Net increase in cash and cash equivalent		**4.524.609**	**5.769.627**
Cash and cash equivalent at beginning of period		8.376.929	2.607.302
Cash and cash equivalent at end of period		12.901.538	8.376.929

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
NOTES TO FINANCIAL STATEMENTS AS OF 31.12.2006
(All amounts in New Turkish Lira (“YTL”) unless indicated otherwise.)

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

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

The Company started working actively in 1999 and is engaged in the manufacture of refrigerators, freezers, room air conditioning units, washing machines and cookers. The Company’s production facilities are located in Manisa industrial site with outdoor area of 373,000 square meters and indoor area of 278,000 square meters.

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

As of 31 December 2006, the composition of shareholders and their respective percentage of ownership are summarized as follows (note 25):

	Percentage %
Vestel Elektronik Sanayi ve Ticaret A.Ş.	68,5
Vestel Elektronik Sanayi ve Ticaret A.Ş. (Shares open to public)	4,1
Other shareholders (Shares open to public)	27,4
	100,0

The number of personnel employed at year end are 2.953 (31.12.2005: 2.978).

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Accounting standards
The Company and its subsidiary located in Turkey maintain their books of account and prepare their statutory financial statements in local currency (YTL) in accordance with the Turkish Commercial Code, Turkish Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. These financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with Capital Market Board Communiqué No. XI/25 (the Communiqué), dated 15.11.2003. The accompanying financial statements and footnotes were prepared in accordance with the reporting formats prescribed by the Capital Market Board No: XI/25 in its announcement dated 20.12.2004 and required to be adopted by quoted companies.

Reporting currency
In accordance with Law No. 5083 in respect of “the Currency of the Turkish Republic” published in the Legal Gazette dated 31 January 2004, numbered 25363, which came into force from 1 January 2005, a new local measurement and reporting currency unit has been introduced as YTL and YKr and one YTL is equal to 100 YKr.

According to the resolution of the Capital Market Board dated 30 November 2004, the accompanying financial statements as of 31 December 2006 and the accompanying prior year financial statements have been presented on the basis of YTL for comparison purposes only.

Financial reporting in hyperinflationary periods
The Capital Market Board issued a statement dated 17 March 2005, numbered 11/367 to discontinue the presentation of financial statements in accordance with IAS 29 (Financial Reporting in Hyperinflationary Economies) during the reporting periods in 2005, indicating that in the light of objective criteria the economy ceased to be hyperinflationary and factors characterizing the existence of hyperinflation were eliminated to a large extent. Based on this resolution the financial statements as of 31 December 2006 and 2005 have not been restated.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
NOTES TO FINANCIAL STATEMENTS AS OF 31.12.2006
(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

The effects of ending the adjustments for inflation on financial statements are summarized as follows:

• The financial statements as of 31 December 2006 have not been subjected to any inflation adjustment whereas the financial statements for previous periods have been adjusted for inflation on basis of the measuring unit current at the last preceding balance sheet date namely 31 December 2005.

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

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Revenue recognition
Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Sale of goods are recognized when the Company has delivered products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The majority of sales are made on credit and the fair value of revenue is ascertained after discounting the same to present value. The balances of receivables at year end are also discounted to present value on basis of the interest rate used for discounting of revenues. The results obtained from these discounting calculations are recognized on the statement of income.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Revenue is shown net of value-added tax, returns, rebates and discounts.

Inventories
Inventories are stated at the lower of cost and net realizable value. Costs comprise direct materials, direct labor costs and general overhead (based on normal operating capacity). Cost is calculated by using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution

Property, plant and equipment
Property, plant and equipment are carried at cost less accumulated depreciation and permanent impairment Depreciation is provided on a straight-line basis based on the approximate economic useful lives taken into consideration.

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

	Year
• Lands	-
• Land improvements	8.5-25
• Buildings	25-50
• Leasehold improvements	5
• Machinery and equipments	5-20
• Motor vehicles	5
• Furniture and fixtures	5-10

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

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

Intangible assets
Expenditure on intangible assets is amortized using the pro-rata basis over their useful lives, not exceeding 4 years.

Research and development costs
Research expenditure is recognized as an expense as incurred.

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

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

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

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

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
NOTES TO FINANCIAL STATEMENTS AS OF 31.12.2006

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

Financial asset

Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale. These are included in non-current assets unless management has the intention of holding these investments for less than 12 months from the balance sheet date, or unless they will need to be sold to raise operating capital, in which case they are included in current assets. The appropriate classification of investments is determined at the time of the purchase and re-evaluated by management on a regular basis.

All financial assets are initially recognized at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

Financial instruments and financial risk management

The Company's principal financial instruments comprise bank loans, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The management reviews and agrees policies for managing each of these risks and they are summarized below.

Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

Liquidity risk

Liquidity risk arises from the fact that the Group may not receive financial instruments from its counterparties at the expected time. This risk is managed by maintaining a balance between continuity of funding and flexibility through the use of overdrafts, finance leases and other funds.

Foreign currency risk

The Group is exposed to foreign exchange risk through the impact of rate changes at the translation of foreign currency denominated assets and liabilities to local currency. These risks are monitored and limited by the analysis of foreign currency position.

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. The majority of the trade receivables are from related parties. Domestic sales are made through Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş. ("Vestel Domestic Marketing") and their receivables are secured by taking sufficient collaterals from the dealers. Overseas sales are made through Vestel Dış Ticaret A.Ş. ("Vestel Foreign Trade") and their receivables are insured by Turkish Eximbank and export credit agencies.

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.

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

The following methods and assumptions are used in the estimation of the fair value of the financial instruments for which it is practicable to estimate fair value:

Financial assets

The fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate carrying value.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
NOTES TO FINANCIAL STATEMENTS AS OF 31.12.2006
(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

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

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

The carrying value of the financial assets is considered to approximate their fair values.

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

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

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

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

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

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

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

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

Leases

Finance Lease
Leases in terms of which the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognized as assets of the Company at their fair value at the date of acquisition. The corresponding liability to the Company is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
NOTES TO FINANCIAL STATEMENTS AS OF 31.12.2006

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Capitalized leased assets are depreciated in accordance with the depreciation policy noted above.

Operating lease

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

Related parties

For the purpose of the accompanying financial statements, the shareholders of the Company, its directors and the companies identified by the Company as being controlled by/affiliated with them are considered and referred to as related parties. A number of transactions are entered into with related parties in the normal course of business.

Segment reporting

Secondary reporting segment is not defined because the Company produces white goods and risks and returns on these products do not differ from each other. Geographical segment information is given in note 33.

Government incentives and subsidies

These are reflected in the financial statements when the Group has complied with all of the requirements and reasonable assurance is formed that incentive or assistance will be obtained. Liabilities to Governmental departments which may be forgone by the Authorities are accepted as Government incentives when reasonable assurance is formed that such liabilities will not be paid because the Group has complied with all the requirements related to the liability.

Severance pay provision

Under the provision of Turkish Labor Law, employers are required to make certain lump-sum payments to employees whose employment ceases due to retirement or due to reasons other than misconduct or resignation. Such payments are determined on basis of an agreed formula and are subject to certain upper limit (ceiling) which is revised twice a year.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on 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 taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax liability or asset is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

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

Cash flow statement

Cash and cash equivalents included in the cash flow statement comprise cash and bank deposits and financial assets which mature in less than three months.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
NOTES TO FINANCIAL STATEMENTS AS OF 31.12.2006
(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

NOTE 4 – CASH AND CASH EQUIVALENTS

	31.12.2006	31.12.2005
Cash in hand	23.076	23.764
Cash in banks		
- Demand deposit	452.693	234.846
- Time deposit	12.425.769	8.118.319
	12.901.538	**8.376.929**

The maturity of time deposits was 04.01.2007 and the interest rate varied between 3,5% and 5,5% per year for foreign currency and 19,75% per year for New Turkish Lira (2005: 02.01.2006 and the interest rate was 2% per year for foreign currency and 14% per year for New Turkish Lira).

NOTE 5 – MARKETABLE SECURITIES

The Company has no marketable securities (31.12.2005: None).

NOTE 6 – FINANCIAL LIABILITIES

Short term financial liabilities		
- YTL	61.283	59.335
	61.283	**59.335**
Short term portion of long term financial liabilities		
- USD	11.879.759	85.420
- EURO	20.540.205	16.362.678
	32.419.964	**16.448.098**
Long term financial liabilities		
- USD	-	10.734.400
- EURO	57.846.159	63.806.365
	57.846.159	**74.540.765**

The Company obtained various loans from non-Turkish financial institutions with a maturity of 7 years in years 2003, 2004, 2005 and 2006 for financing investments in production machinery and equipment. As of 31 December 2006, the Company's borrowings under these facilities included a short term payable of YTL 15.823.399 (31.12.2005: YTL 15.966.377) and long term payable of EURO 27.828.106 (2005: EURO 34.568.059). The principal amount of these loans is repayable at six months intervals and the last repayment date is June 2012. The annual interest rate is between Euribor + 0,625% and 0,75%.

The Company's borrowings as of December 31, 2005 also included borrowings under a EURO 9,000,000 facility obtained during June 2003 for financing working capital. The loan matures in May 2009. As of December 31, 2005, the remaining principal amount outstanding is EURO 5.625.000 (YTL 10.414.688). The annual interest rate is Euribor + 3,25%.

As of 31 December 2006, the Company's borrowings included a loan of USD 8,000,000 for the purpose of financing its working capital. The annual interest rate is 5.5%. The loan matures in May 2007 (31.12.2005: YTL 10.734.400 (USD 8.000.000)).

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
NOTES TO FINANCIAL STATEMENTS AS OF 31.12.2006
(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

Maturity schedule of Company's total short and long term financial liabilities is as follows

	31.12.2006	31.12.2005
Less than one year	32.481.247	16.507.433
Due between one and two year	19.484.411	27.327.441
Due between two and three year	16.517.146	16.089.176
Due between three and four year	11.733.716	13.744.140
More than four year and less than five year	7.753.432	9.570.303
Over five year	2.357.454	7.809.705
	90.327.406	**91.048.198**

The company has given collaterals to various financial institutions listed under note 31.

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

Short term trade receivables		
Trade receivables	85.917	15.598
Deposits and guarantees given	18.902	18.902
	104.819	**34.500**

Short term trade payables		
Trade payables	240.312.589	166.847.226
Notes payable	286.275	4.548.776
Deposits and guarantees received	-	960
Unearned interest (-)	(1.290.864)	(332.138)
	239.308.000	**171.064.824**

As of 31 December 2006, trade payables includes USD 20.750.000 provided by HSBC Bank for the purchase of compressors in the form of murabaha financing.

NOTE 8 – FINANCIAL LEASE RECEIVABLES AND PAYABLES

The Company has no financial lease receivables (31.12.2005: None).

	31.12.2006	31.12.2005
Short term financial lease payables		
- USD	1.635.814	1.707.551
- EURO	347.243	2.086.161
	1.983.057	**3.793.712**
Long term financial lease payables		
- USD	857.407	2.380.136
- EURO	184.799	456.241
	1.042.206	**2.836.377**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
NOTES TO FINANCIAL STATEMENTS AS OF 31.12.2006
(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

As of 31.12.206 and 2005 the financial lease payables of the Company is given below:

Total financial lease payables		
Due in one year	2.132.983	4.166.984
More than one year and less than four year	1.068.454	3.000.645
Over four year	239	322
Future finance charges on finance leases	(176.413)	(537.862)
	3.025.263	**6.630.089**

The present value of finance lease liabilities:		
Due in one year	1.983.057	3.793.712
More than one year and less than four year	1.042.009	2.836.126
Over four year	197	251
	3.025.263	**6.630.089**

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

NOTE 9 – TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Due from related parties

	31.12.2006	31.12.2005
Trade receivables		
- Current account	134.094.978	16.188.439
- Notes payables	223.048.191	131.490.327
Other receivables	-	-
Unearned financing expense (-)	(12.205.614)	(4.048.686)
Due from personnel	39.371	90.134
	344.976.926	**143.720.214**

Due from related parties at year end are shown below:		
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	282.044.108	147.516.841
Vestel Dijital Üretim Sanayi A.Ş.	826.620	-
Vestel CIS Limited	3.274.529	-
Vestel Dış Ticaret A.Ş.	70.928.925	-
Other related parties	68.987	161.925
	357.143.169	**147.678.766**
Unearned financing expense (-)	(12.205.614)	(4.048.686)
	344.937.555	**143.630.080**

As of 31.12.2005, the Company's current account at Denizbank A.Ş. was YTL 232.287.

The Company received YTL 264.361 interest income from its time deposit accounts at Denizbank A.Ş. and Euro Deniz Off-shore Bank Ltd. for the nine month period ended 30.09.2006 (17.10.2006 is the date on which Denizbank A.Ş. ceased to be part of Zorlu Group).

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
NOTES TO FINANCIAL STATEMENTS AS OF 31.12.2006
(All amounts in New Turkish Lira (“YTL”) unless indicated otherwise.)

b) Due to related parties

	31.12.2006	31.12.2005
Trade payables		
- Current account	18.808.199	52.158.474
Unearned financing income (-)	(17.651)	(244.459)
	18.790.548	**51.914.015**

Due to related parties at year end are shown below:		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	2.712.636	3.987.355
Vestel Holland BV	16.020.098	3.083.197
Vestel Digital Üretim Sanayi A.Ş.	-	26.755
Zorlu Holding A.Ş.	65.494	54.882
Vestel Dış Ticaret A.Ş.	-	44.867.652
Other related parties	9.971	138.633
	18.808.199	**52.158.474**
Unearned financing income (-)	(17.651)	(244.459)
	18.790.548	**51.914.015**

As of 31.12.2005, the Company’s loans borrowed from Denizbank A.Ş. was YTL 15.129.

The Company paid YTL 572.479 interest expense to Denizbank A.Ş. for the nine month period ended 30.09.2006 (year ended 31.12.2005:YTL 1.541.772).

c) Transactions carried out with related parties

	01.01.- 31.12.2006	01.01.-31.12.2005
Sales		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	462.606	252.495
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	353.397.009	311.841.763
Vestel Komünikasyon Sanayi ve Ticaret A.Ş.	-	6.264
Zorpet Zorlu Petrol Nakliyat A.Ş.	1.860.859	696.047
Vestel Dış Ticaret A.Ş.	691.300.116	442.318.750
Vestel Dijital Üretim Sanayi A.Ş.	2.554	215
Vestel CIS Limited	3.302.417	-
	1.050.325.561	**755.115.534**
Purchases		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	2.789.786	2.489.822
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	1.806.206	48.551
Vestel Komünikasyon Sanayi ve Ticaret A.Ş.	162.987	35.501
Vestel Dış Ticaret A.Ş.	1.486.535	2.442.557
Vestel Dijital Üretim Sanayi A.Ş.	14.278	24.752
Other related parties	800.378	-
	7.060.170	**5.041.183**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
NOTES TO FINANCIAL STATEMENTS AS OF 31.12.2006
(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

Interest and foreign exchange income		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	745.061	391.363
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	16.246.044	2.600.529
Vestel Komünikasyon Sanayi ve Ticaret A.Ş.	66.800	69.767
Vestel Dış Ticaret A.Ş.	-	687.065
Vestel Dijital Üretim Sanayi A.Ş.	74.221	-
	17.132.126	**3.748.724**

	01.01.- 31.12.2006	01.01.-31.12.2005
Other income		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	-	18.256
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	-	49.698
	-	**67.954**
Foreign exchange expenses		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	1.014.950	352.197
Vestel Dış Ticaret A.Ş.	6.993.866	4.823.752
	8.008.816	**5.175.949**

d) The total remuneration of chairman and members of the Board, general manager, general coordinates and assistant general manager

As of 31.12.2006, the total remuneration paid amounted to YTL 1.475.872 (31.12.2005: YTL 719.005 YTL).

e) Guarantees given/received to related parties

The company has given collaterals to group companies listed under note 31.

f) Operating lease

The Company leased motor vehicles from Deniz Destek Oto Kiralama A.Ş. (note 31).

NOTE 10 – OTHER RECEIVABLES AND PAYABLES

	31.12.2006	31.12.2005
Other short term receivables		
Receivable from tax authorities	16.942.364	7.424.141
Other short term liabilities		
Taxes and dues payable	2.890.070	2.462.902
Social security premiums payable	2.641.955	2.400.078
Due to personnel	207.659	1.394.214
Other	5.638	-
	5.745.322	**6.257.194**

NOTE 11 – FINANCIAL ASSETS

None (31.12.2005 – None).

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
NOTES TO FINANCIAL STATEMENTS AS OF 31.12.2006
(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

NOTE 12 – INVENTORIES

Raw materials	84.172.075	57.756.170
Work in process	7.769.521	5.606.282
Finished goods	29.755.770	36.219.857
Merchandises	3.279.561	80.590
Other inventories	391.147	11.651
Order advances given	6.616.730	2.359.143
Allowance for diminution in value (-)	(890.317)	(403.054)
	131.094.487	**101.630.639**

As of 31 December 2006, inventories were insured for 161.644.000 YTL (31.12.2005: 134.347.725 YTL).

NOTE 13 – DEFERRED PROGRESS BILLINGS
Company has no continued construction contract and deferred progress billings (31.12.2005: None).

NOTE 14 – DEFERRED TAX ASSET AND LIABILITIES
The Company recognizes deferred tax asset and liabilities based upon temporary differences between its financial statements prepared in accordance with the Communiqué No: XI/25 issued by the Capital Market Board and its statutory tax financial statements. Such differences arise due to the different treatment of certain items of income and expense included in these financial statements compared to the local tax return, in accordance with applicable tax laws

Tax rates used for deferred tax assets and liabilities calculated on temporary differences that are expected to be realized or settled based on the taxable income in coming years under the liability method is 30% (31.12.2005: 30%).

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
NOTES TO FINANCIAL STATEMENTS AS OF 31.12.2006
(All amounts in New Turkish Lira (“YTL”) unless indicated otherwise.)

The breakdown of cumulative temporary differences and the resulting deferred tax asset and liabilities provided at the balance sheet dates using the enacted tax rates are as follows:

	Cumulative temporary differences		Deferred tax	
	31.12.2006	**31.12.2005**	**31.12.2006**	**31.12.2005**
Deferred tax asset				
Employee retirement provision	2.691.147	2.291.625	807.344	687.488
Financial lease asset	4.239	2.056.207	1.272	616.862
Investment incentive allowances	-	21.495.745	-	2.192.566
Warranty expense provision	5.841.913	3.363.835	1.752.574	1.009.151
Net difference between carrying values and tax bases of inventory	1.148.701	827.288	344.610	248.187
Other	1.116.819	577.203	335.046	173.161
			3.240.846	**4.927.415**
Deferred tax liability				
Temporary differences arising from restating non-monetary asset	45.526.561	43.331.393	13.657.967	12.999.418
Unearned interest on payable	1.308.515	3.471.204	392.558	1.041.361
Other	-	19.088	-	5.726
			14.050.525	**14.046.505**
Deferred tax asset				
Realizable in more than one year	2.120.840	3.389.089		
Realizable in less than one year	1.120.006	1.538.326		
Deferred tax liability				
Realizable in more than one year	392.558	1.041.361		
Realizable in less than one year	**13.657.967**	**13.005.144**		

NOTE 15 - OTHER CURRENT/NON-CURRENT ASSETS AND SHORT/LONG TERM LIABILITIES

	31.12.2006	31.12.2005
Other current assets		
Prepaid expenses	1.522.249	1.002.948
Advances given for business purposes	7.421	21.146
Advances given for personnel	688	15.593
Other	9.509	447
	1.539.867	**1.040.134**

NOTE 16 – FINANCIAL ASSETS
The Company has no financial assets (31.12.2005: None).

NOTE 17 – GOODWILL/NEGATIVE GOODWILL
The Company has no positive and negative goodwill (31.12.2005: None).

NOTE 18 – INVESTMENT PROPERTY
The Company has no investment property (31.12.2005: None).

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
NOTES TO FINANCIAL STATEMENTS AS OF 31.12.2006

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

NOTE 19 – PROPERTY, PLANT AND EQUIPMENT

	01.01.2006	Addition	Disposal	Transfers	31.12.2006
Cost					
Land	6.546.757	-	-	-	6.546.757
Land improvements	2.568.546	7.875	-	-	2.576.421
Buildings	55.531.507	401.390	-	21.467	55.954.364
Leasehold improvements	375.560	135.908	-	344.100	855.568
Plant and machinery	311.158.887	3.306.633	(299.401)	35.004.440	349.170.559
Motor vehicles	426.213	131.562	-	-	557.775
Furniture and fixtures	10.192.697	1.512.126	(1.169)	383.882	12.087.536
Construction in progress and advances given	19.810.854	44.312.738	-	(35.788.896)	28.334.696
	406.611.021	**49.808.232**	**(300.570)**	**(35.007)**	**456.083.676**
Accumulated depreciation					
Land improvements	787.310	152.914	-	-	940.224
Buildings	8.898.086	2.120.870	-	-	11.018.956
Leasehold improvements	63.620	110.428	-	-	174.048
Plant and machinery	85.964.080	29.151.052	(188.729)	-	114.926.403
Motor vehicles	60.066	104.968	-	-	165.034
Furniture and fixtures	3.107.239	1.711.517	(73)	-	4.818.683
	98.880.401	**33.351.749**	**(188.802)**	**-**	**132.043.348**
Net book value	**307.730.620**				**324.040.328**

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 during 2006 to increase its second refrigerator, washing machine, cooker and dishwasher factories respectively.

Leased assets included in the table above comprise plant and machinery amounting to YTL 27.857.711 net of accumulated depreciation. (2005: YTL 32.743.194).

As of 31 December 2006, fixed assets were insured for YTL 394.736.853 (2005: YTL 291.384.612).

NOTE 20 – INTANGIBLE ASSETS

	01.01.2006	Additions	Transfers	31.12.2006
Cost				
Rights	6.333.417	3.678	-	6.337.095
Research and development cost	5.007.307	-	-	5.007.307
Other intangible assets	685.482	145.702	35.007	866.191
	12.026.206	**149.380**	**35.007**	**12.210.593**
Accumulated depreciation				
Rights	6.008.807	207.476	-	6.216.283
Research and development cost	3.475.654	708.175	-	4.183.829
Other intangible assets	157.207	171.988	-	329.195
	9.641.668	**1.087.639**	**-**	**10.729.307**
Net book value	**2.384.538**			**1.481.286**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
NOTES TO FINANCIAL STATEMENTS AS OF 31.12.2006
(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

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

NOTE 21 – ADVANCES RECEIVED

None (31.12.2005 – None).

NOTE 22 – TERMINATION PLANS

None (31.12.2005 – None).

NOTE 23 – PROVISION FOR ACCRUED LIABILITIES AND CHARGES

	31.12.2006	31.12.2005
Short term provisions		
Corporate tax provision	1.287.503	795.805
Warranty cost provision	5.841.913	3.363.835
Other expense provision	227.182	151.480
	7.356.598	**4.311.120**

Long term provisions		
Severance pay provision	2.691.147	2.291.625

Under Turkish law, the Company is required to pay employment termination benefits to each employee who has completed one year of service. In addition, under the existing Social Security Law No.506, clause No. 60, amended by the Labor 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 provision is made in respect of all eligible employees, at a rate of 30 days gross pay for each year of service. The rate of pay is that ruling at the respective balance sheet dates, subject to a maximum of YTL 1.857,44 per month as of 31.12.2006 (31.12.2005: YTL 1.727,15 per month).

Employment termination benefits are not a funded liability and there is no requirement to fund it.

Capital Market Board Communiqué No: XI/25, Section 29 ("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 as these actuarial assumptions apply to each individual company's defined benefit plan and legal framework in which those companies operate. The actuarial assumptions used in calculation of total liabilities 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. This real discount rate should be used to discount future retirement payments to their present value at the balance sheet date. Voluntary employment termination by employee results in the forfeiture of the benefit, this rate should be taken into consideration and estimated since in this case the retirement pay provision will be left to the Company. As of 31.12.2006 the liability for employment termination benefits was calculated based on an annual real discount rate of 5,7 (31.12.2005: an annual real discount rate of 5,5%) using estimated annual inflation rate of 5% and discount rate of 11%. The retirement pay limit is revised every six month and the rate of pay applicable as of 01.07.2007 is YTL 1.960,69.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
NOTES TO FINANCIAL STATEMENTS AS OF 31.12.2006

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

The movements in the reserve for employment termination benefits during the year are as follow:

	31.12.2006	31.12.2005
Balance at 1 January	2.291.625	1.935.522
Addition	1.160.626	768.781
Payment made during the year	(761.104)	(412.678)
Balance at 31 December	**2.691.147**	**2.291.625**

NOTE 24 – MINORITY INTEREST

None (31.12.2005: None).

NOTE 25 – SHARE CAPITAL/ADJUSTMENT TO SHARE CAPITAL

	31.12.2006	31.12.2005
Shares of par value YTL 1 each		
Authorized share capital	190.000.000	138.000.000
Issued share capital	190.000.000	138.000.000

Shareholders of the Company and their percentage shareholdings were as follows:

	Shareholding		Amount	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Shares				
Vestel Elektronik Sanayi ve Ticaret A.Ş.	68,5%	35,0%	130.199.993	48.300.000
Ahmet Nazif Zorlu	0,0%	26,5%	1	36.570.000
Olgun Zorlu	0,0%	26,5%	1	36.570.000
Zorlu Holding A.Ş.	0,0%	10,0%	-	13.800.000
Other	0,0%	2,0%	5	2.760.000
	68,5%	**100,0%**	**130.200.000**	**138.000.000**
Shares open to public				
Vestel Elektronik Sanayi ve Ticaret A.Ş.	4,1%	-	7.800.000	-
Other shareholders	27,4%	-	52.000.000	-
	31,5%	**0,0%**	**59.800.000**	**-**
Authorized capital	100,0%	100,0%	190.000.000	138.000.000
Inflation adjustment of share capital			9.733.837	9.733.837
Total paid in capital			**199.733.837**	**147.733.837**

During April 2006, the Company went public and its shares started to be traded at the Istanbul Stock Exchange. The share values of Vestel Beyaz Eşya was established on basis of prices received from invitations for submission of price quotations between 11-12 April 2006 and the value thus ascertained was YTL 3,20 per share. Vestel Elektronik Sanayi ve Ticaret A.Ş. purchased 89.699.993 shares (65% of capital) of Vestel White which were held by Zorlu Holding A.Ş. and Zorlu Family at YTL 3,20 each on 13 April 2006 and consequently became 100% owner of the shares Vestel White. At the same time the share capital of Vestel Beyaz Eşya was increased by YTL 52.000 (52.000.000 shares) to YTL 190.000 and 59.800.000 shares were sold through public offering on 21 April 2006 at the price of YTL 3,20 per share. Subsequently 7.800.000 shares were reacquired at the Istanbul Stock Exchange and therefore the interest of minorities in Vestel Beyaz Eşya was reduced to 27.4% (note 26).

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
NOTES TO FINANCIAL STATEMENTS AS OF 31.12.2006

(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

NOTE 26 – CAPITAL RESERVES

	31.12.2006	31.12.2005
Share premium		
Share premium	114.400.000	-
Public issue cost (-)	(5.369.179)	-
	109.030.821	**-**
Inflation adjustment of share capital		
- Share capital	42.401.837	42.401.837
- Legal reserves	36.015	36.015
- Transfer to s hare capital (share capital increase)	(32.668.000)	(32.668.000)
	9.769.852	**9.769.852**
	118.800.673	**9.769.852**

NOTE 27 – PROFIT RESERVES

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. 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. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

In accordance with Capital Market Board Communiqué No. XI/25, the components of shareholders equity "comprising share capital, share premium, legal reserves, statutory reserves, special reserves and extraordinary reserves" are shown at the historic book values and the cumulative restatement differences arising from such items are included in "equity restatement difference" under shareholders equity.

	31.12.2006	31.12.2005
Legal reserves	5.857.288	3.513.849
Extraordinary reserves	45.827.109	1.301.777
	51.684.397	**4.815.626**

NOTE 28 – PREVIOUS YEARS PROFIT/LOSS

The movement of previous years profits is shown below:

Balance at the beginning of the year	26.634.579	20.964.727
Net income	50.485.503	69.557.260
Transfer to s hare capital (share capital increase)	-	(59.332.000)
Transfer to legal reserves	(2.343.439)	(3.217.616)
Transfer to inflation adjustment	-	(36.015)
Transfer to extraordinary reserves	(44.525.332)	(1.301.777)
Previous years profit	**30.251.311**	**26.634.579**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
NOTES TO FINANCIAL STATEMENTS AS OF 31.12.2006
(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

NOTE 29 – FOREIGN CURRENCY POSITION

31.12.2006	USD	EURO	GBP	YTL equivalent
Cash and cash equivalent	2.170.768	3.607.073	-	9.729.728
Due from related parties	7.318.026	34.489.745	21.669	74.203.720
Foreign currency assets	**9.488.794**	**38.096.818**	**21.669**	**83.933.448**
Short term portion of long term financial liabilities	8.451.734	11.093.819	-	32.419.964
Short term financial lease payables	1.163.783	187.547	-	1.983.057
Trade payables	71.188.411	61.940.660	1.490	214.749.671
Due to related parties	266.504	326.641	-	979.373
Long term financial liabilities	-	31.242.862	-	57.846.159
Long term financial lease payables	609.993	99.811	-	1.042.206
Foreign currency liabilities	**81.680.425**	**104.891.340**	**1.490**	**309.020.430**
Foreign currency position, net	**(72.191.631)**	**(66.794.522)**	**20.179**	**(225.086.982)**

31.12.2005	USD	EURO	GBP	YTL equivalent
Cash and cash equivalent	34.996	5.059.444	-	8.078.825
Due from related parties	231.711	3.420.237	-	5.740.536
Foreign currency assets	**266.707**	**8.479.681**	**-**	**13.819.361**
Short term portion of long term financial liabilities	63.661	10.307.198	-	16.448.097
Short term financial lease payables	1.272.582	1.314.117	-	3.793.711
Trade payables	24.032.908	66.827.474	-	138.335.971
Due to related parties	469.000	29.505.934	-	47.469.974
Long term financial liabilities	8.000.000	40.192.986	-	74.540.765
Long term financial lease payables	1.773.838	287.396	-	2.836.377
Foreign currency liabilities	**35.611.989**	**148.435.105**	**-**	**283.424.895**
Foreign currency position, net	**(35.345.282)**	**(139.955.424)**	**-**	**(269.605.534)**

NOTE 30 – GOVERNMENT GRANTS

The Company has Incentive Certificates related to investments in fixed assets obtained from the Treasury of the Prime Ministry of Turkey. As of the Balance sheet date the Company has no investment allowances carried forward.

The investment allowance application which had been in force for a significant period of time was abolished by Law No.5479 as from 01.01.2006.

However, in accordance with the temporary article 69 of the Income Tax Law, income and corporate taxpayers can deduct the following amounts from their income related to the years 2006, 2007 and 2008 as well as the investment allowance amounts they could not offset against 2005 gains which were present as of 31.12.2005, in accordance with the legislation (including the provisions related to tax rates) in force as of 31.12.2005.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
NOTES TO FINANCIAL STATEMENTS AS OF 31.12.2006
(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

NOTE 31 – PROVISIONS, COMMITMENTS AND CONTINGENT LIABILITIES

a) Provisions
Details relating to provisions in the financial statements are given under note 23.

b) Contingent Asset

Letters of guarantee obtained from customers and suppliers is shown below:

	31.12.2006	31.12.2005
Letters of guarantee, cheques and notes		
Letters of guarantee	11.043.101	4.997.707
Cheques and notes	6.028.809	7.994.584

c) Commitment and Contingencies
• As of 31 December 2006, the Company has contingent liabilities amounting to YTL 10.275.565 (31.12.2005: 4.670.635 YTL) in respect of bank loans, letters of credit and other guarantees arising in the ordinary course of business.

• Due to the export and investment incentive certificates obtained for tax purposes, the Company has committed to realize exports amounting to USD 172.179.960 (31.12.2005: USD 158.113.409) as of 31 December 2006.

• 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 31.12.2006, the amount of VAT is YTL 36.312.091 (31.12.2005: YTL 28.821.927).

• Company signed credit agreement with Vakıflar Bankası for 125 million USD. Group companies and the majority shareholders of the Company were beneficiaries of and guarantors to the agreement.

• Vestel Elektronik Sanayi ve Ticaret A.Ş. (majority shareholder of the Company) is a guarantor for a loan of EURO 9.000.000 obtained by the Company in June 2003 (note 6).

• A lawsuit has been initiated against the Company by two companies which engaged in the production of household appliances for the invalidity of the patent certificate. The Company has initiated a counter law suit with a claim to cancel the patent certificate from the related registry and invalidity of the same. The law-suits are still pending and at the stage of expert evaluation. The Company does not believe that this litigation will have a material adverse effect on the results of operation or financial condition of the Company.

• The value of lawsuits opened against the Company 59.961 YTL and the value of lawsuits which have been finalized in favor of the Company amounted 44.972 YTL.

• The movement of lease financial liabilities is shown below:

	31.12.2006	31.12.2005
Less than one year	9.960	72.562
More than one year and less than four year	-	18.141
	9.960	**90.703**

• Vestel Group signed a guarantee and credit agreement with Vakıflar Bankası for USD 120 million. Vestel Elektronik Sanayi ve Ticaret A.Ş., Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş., Vestel Dijital Üretim Sanayi A.Ş., Vestel Komünikasyon Sanayi ve Ticaret A.Ş. and Vestel Holland B.V. were beneficiaries of and guarantors to the agreement.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
NOTES TO FINANCIAL STATEMENTS AS OF 31.12.2006
(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

NOTE 32 – BUSINESS COMBINATIONS
None.

NOTE 33 – SEGMENT REPORTING

Basic segment reporting –Geographical segments

Segment sales	01.01.- 31.12.2006	01.01.-31.12.2005
Turkey	425.125.791	358.769.764
Europe	580.657.965	337.356.857
Other	113.944.568	105.507.154
	1.119.728.324	**801.633.775**

All the assets of the Company are located in Turkey.

Secondary segment reporting – Industrial segments
The Company engages on the production and sale of white durable goods. Secondary reporting segment is not defined because the Company produces white goods and risks and returns on these products do not differ from each other.

NOTE 34 – SUBSEQUENT EVENTS
During January 2007, the Company borrowed EURO 1.560.000 with a maturity date of January 2008 and USD 21.191.000 with a maturity date of November 2007 and March 2008. Interest rate is 5,25% per year.

NOTE 35 – DISCONTINUED OPERATIONS
The Company has no discontinued operations (31.12.2005: None).

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
NOTES TO FINANCIAL STATEMENTS AS OF 31.12.2006
(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

NOTE 36 – OPERATING INCOME

SALES INCOME	01.01.- 31.12.2006	01.01.-31.12.2005
Total sales volume		
Refrigerators	2.242.833	1.694.465
Air conditioning units	237.449	332.395
Washing machines	1.423.953	1.015.578
Cookers	364.624	72.441
Total sales – YTL		
Domestic sales	423.345.012	357.617.098
Overseas sales	694.602.533	442.864.011
Other sales	1.780.779	1.152.666
Gross sales	**1.119.728.324**	**801.633.775**
Sales returns and discounts (-)	**(601.735)**	**(321.943)**
	1.119.126.589	**801.311.832**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
NOTES TO FINANCIAL STATEMENTS AS OF 31.12.2006
(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

COST OF SALES	01.01.- 31.12.2006	01.01.-31.12.2005
Total production volume		
Refrigerators	2.174.527	1.718.091
Air conditioning units	214.913	369.498
Washing machines	1.451.017	1.020.850
Cookers	390.513	76.982
Cost		
Direct materials used	834.881.727	642.763.837
Direct labor	50.452.319	36.149.318
General overhead	38.152.836	29.058.895
Depreciation and amortization	32.141.609	25.202.584
Cost of goods produced	**955.628.491**	**733.174.634**
Changes in semi-finished goods		
Opening inventory	5.606.282	3.645.081
Closing inventory	(7.769.521)	(5.606.282)
Changes in finished goods		
Opening inventory	36.219.857	16.576.364
Closing inventory	(29.755.770)	(36.219.857)
Cost of goods sold	**959.929.339**	**711.569.940**
Purchased during the period	4.589.660	74.206
Opening inventory	80.590	102.164
Closing inventory	(3.279.561)	(80.590)
Cost of merchandise sold	**1.390.689**	**95.780**
Cost of sales	**961.320.028**	**711.665.720**

NOTE 37 – OPERATING EXPENSES

Research and development expenses	12.488.540	8.123.762
Selling and distribution expenses	28.169.868	8.060.184
General administrative expenses	17.670.891	11.478.018
Operating expenses	**58.329.299**	**27.661.964**

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
NOTES TO FINANCIAL STATEMENTS AS OF 31.12.2006
(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

NOTE 38 – OTHER INCOME/EXPENSES AND PROFIT/LOSSES

OTHER INCOME AND PROFITS	01.01.- 31.12.2006	01.01.-31.12.2005
Foreign exchange gain	11.878.918	16.443.937
Interest income from bank deposits	4.196.941	3.045.935
Unearned interest on payables	11.981.413	6.171.522
Interest income from term sales	16.443.062	-
Rent income	14	68.004
Scrap sales income	3.073.055	1.884.134
Insurance income	-	209.736
Grant income	6.433.436	3.115.104
Gain on sales of fixed assets	1.159.962	-
Other income	1.864.101	555.162
	57.030.902	**31.493.534**

OTHER OPERATING EXPENSES AND LOSSES		
Foreign exchange loss	15.169.293	7.168.180
Bank commission expenses	19.406.423	6.389.445
Loss on sales of fixed assets	48.068	389.277
Idle capacity expense	458.540	7.165.991
Provision expense	487.263	403.054
Other expense	276.539	101.098
	35.846.126	**21.617.045**

NOTE 39 – FINANCING EXPENSES

Foreign exchange loss	19.574.001	2.807.638
Interest expense	18.395.761	5.739.664
Letters of credit expenses	4.502.446	2.839.129
Bank commission expenses	10.008	125.918
Interest expense from term purchases	3.990.298	799.822
Letters of credit expense	82.240	70.978
Finance lease interest expense	425.253	763.438
Other financing expense	612.540	218.195
	47.592.547	**13.364.782**

NOTE 40 – NET MONETARY POSITION PROFIT/LOSS

The Company calculates its net monetary position profit/loss as the difference between assets and liabilities that results from the adjustments in non-monetary balance sheet items, shareholder's capital and income statement. As the Company has average net monetary liabilities in the period that end at 31.12.2006, there is not net monetary profit or loss in the income statements, since no inflation adjustments required.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
NOTES TO FINANCIAL STATEMENTS AS OF 31.12.2006
(All amounts in New Turkish Lira (“YTL”) unless indicated otherwise.)

NOTE 41 – TAXES ON INCOME

	31.12.2006	31.12.2005
Corporate tax provision	7.087.631	796.671
Prepaid taxed (-)	(5.800.128)	(866)
Net corporate tax provision (note 23)	1.287.503	795.805
Deferred tax liability, net	10.809.679	9.119.090
	12.097.182	**9.914.895**

The corporation tax rate on the profits for the calendar year 2006 is 20% (2005: 30%). Taxable profits are calculated by modifying accounting income for certain exclusions and allowances for tax purposes from the profit disclosed in the statutory income. No other taxes are paid unless profits are distributed.

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

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

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

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

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş.
NOTES TO FINANCIAL STATEMENTS AS OF 31.12.2006
(All amounts in New Turkish Lira ("YTL") unless indicated otherwise.)

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

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

The Company's provision for tax is shown below:

	01.01.- 31.12.2006	01.01.-31.12.2005
Corporate tax provision	(7.087.631)	(796.671)
Deferred tax charge	(1.690.589)	(7.213.681)
	(8.778.220)	**(8.010.352)**

NOTE 42 – EARNINGS PER SHARE

Shareholders' net profit for the period	64.291.271	50.485.503
Weighted average number of outstanding ordinary shares	177.000.000	138.000.000
Earnings per share	**0,36**	**0,37**

NOTE 43 – CASH FLOW STATEMENTS

The accompanying financial statements include a statement of cash flows.

NOTE 44 – OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR RELEVANT THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None.

VESTEL BEYAZ EŞYA SANAYİ VE TİCARET A.Ş. INVESTOR INFORMATION

Ordinary General Meeting

In line with a resolution passed at a meeting of the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş., the Company's ordinary general meeting for 2006 will be held on 18 May 2007 at 11:00 am at the address of Zorlu Plaza, Avcılar-İstanbul.

Independent Auditor

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

Financial Information and Company News

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

Investor Relations

Figen Çevik
Corporate Finance and Investor Relations Director
Vestel Group of Companies
Zorlu Plaza 34310 Avcılar İstanbul Turkey
Phone: (+90 212) 456 24 27
Email: figen.cevik@vestel.com.tr

Share information

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

As of 31 December 2006, Vestel White Goods' market value was on the order of USD 294 million. The trading volume of the Company's shares on ISE was worth about USD 4 million in 2006.

Contact

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