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Friendly technology from a company that is a part of your everyday life

Founded in 1997, Vestel White Goods' successful performance nourished solid, steady growth that has today made it one of

- **Turkey's top three**
- **Europe's top ten**

manufacturers of refrigerators, washing machines, air conditioners, cooking appliances, dishwashers and water heaters.

Corporate Profile

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

Europe's largest white goods production capacity under a single roof with the most recent technology

Vestel White Goods has Europe's largest white goods production capacity under a single roof with the most recent technology.

The Company continues its production facilities with an annual production capacity of 7,750,000 units in more than 311,000 m² of enclosed space in Manisa in western Turkey.

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

Vestel White Goods provides OEM-ODM services to European A-brand producers, retail market chains, and distributors. In keeping with the Company's strategy as an OEM/ODM service provider, Vestel White Goods does not compete directly with its customers' own brands.

In 2009, Vestel White Goods' revenues amounted to USD 839 million while exports accounted for 72% of the total sales.

In 2009, Vestel White Goods took 34% share from Turkey's home appliance exports. The Company's diversified product line and expanding customer base are the most important elements of its sustainable exports performance.

Vestel White Goods makes 57% of its total sales to European countries.

Strongly positioned in its domestic market

Vestel White Goods is strongly positioned both in its domestic market and in some nearby regions with an extensive product line and a recognized and trusted brand name. According to end-2009 figures, Vestel White Goods:

- Commanded a 12% market share in Turkey with its Vestel brand

The Company also makes sales through:

- Distributors under the "Regal" name
- Retail chains under the "SEG" name and
- Private-label agreements.

The Company is currently supplying Vestel and Regal-branded products to the Turkic Republics, Middle Eastern, and North African markets as well.



Vestel White Goods is strongly positioned both in its home market and in Turkey's near abroad with an extensive product line and a recognized and trusted name.

Superior marketing and distribution competencies

Vestel White Goods' marketing, sales, and after-sales service activities are carried out by Vestel Durable Consumer Goods Marketing and by Vestel Foreign Trade, both wholly-owned subsidiaries of Vestel Electronics.

In Turkey, Vestel White Goods serves customers through:

- 1,050 Vestel stores
- 1,400 dealerships (650 with "Regal" signage)
- 350 service points (brown goods + white goods + air conditioners + IT products)

Vestel White Goods' international sales and marketing activities are carried out by subsidiaries located in 10 European countries.

Environment and consumer-friendly technology

Vestel White Goods' ability to develop its own technology and designs based on its in-house R&D strengths enables it to appeal to a broad range of consumers. Vestel White Goods also distinguishes itself with a growing line of environment-friendly products and model variations.

Vestel White Goods, whose product line's 90% consists of environment-friendly products, has blazed a trail in terms of water, energy and time savings by developing the Ecowash and Twinjet technologies.

A company that is a model of ethical accountability

Vestel White Goods was awarded by AccountAbility and the Corporate Social Responsibility Institute in their jointly conducted "Accountability Rating 2008: Turkey" program, the second study of its kind conducted by them in Turkey.

In this survey, publicly disclosed information about Turkey's 50 biggest companies (as measured by total turnover) was rated in four "domains":

Strategic Intent, Governance & Management, Engagement, and Operational Performance. Vestel White Goods was ranked among the top fifteen companies in the survey based on the high marks that it received for its competencies in the areas of strategy, management, and corporate governance as well as for its efforts to conform to international standards.

Vestel White Goods on the ISE

Vestel White Goods undertook its initial public offering in 2006. 31.5% of the Company's shares are now being traded on the İstanbul Stock Exchange (ISE) under the symbol VESBE. The Company's majority shareholder is Vestel Electronics, which controls a 72.6% stake, including 4.1% of Vestel White Goods' publicly traded shares.

Ranked 37th among the İstanbul Chamber of Industry's list of Turkey's top 500 concerns based on their 2008 results, Vestel White Goods is focused on further strengthening its performance under all market and competitive conditions and on remaining a world-class model of sustainability.



Vestel White Goods provides OEM-ODM services to European A-brand producers, market chains, and distributors.

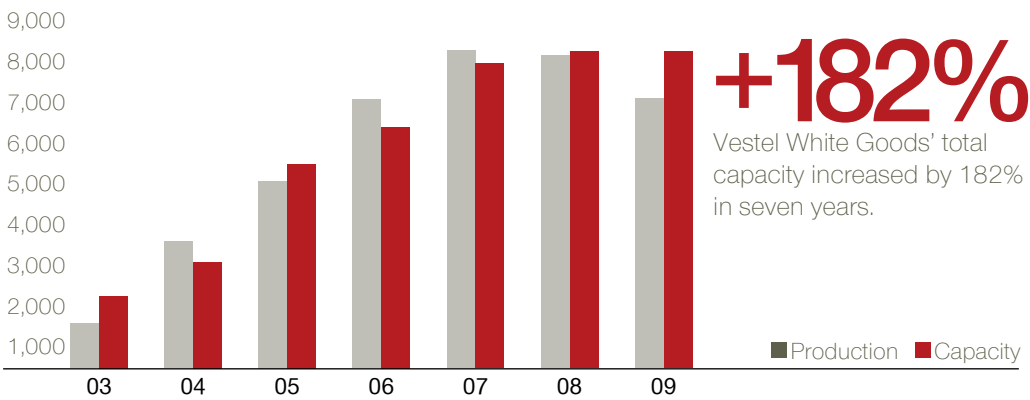
Vestel City in Brief

As a result of investments undertaken as part of the Company's strategic investment plan, Vestel White Goods' total production capacity reached 7,750,000 units a year as of end-2009.

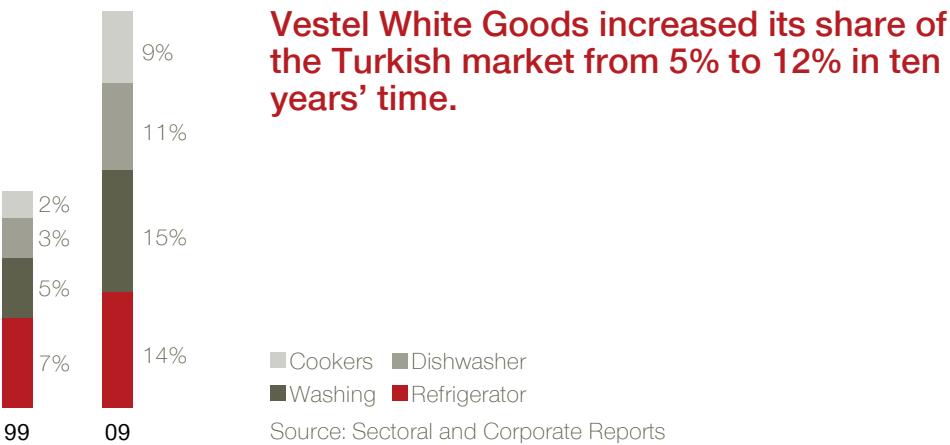
Europe's largest white goods production capacity under a single roof deploying the most recent technology.

Vestel City is the Vestel Group of Companies' production center. Vestel City brings together factories, support facilities, R&D units, and logistical infrastructure which are all involved in the fully integrated, high-tech manufacturing of electronic goods, IT products, and durable consumer goods.

Development in Vestel White Goods' capacity and production (2003-2009/thousand units)



High production capacity will make it possible for Vestel White Goods to exploit growth opportunities presented by the market in the period ahead in the best way possible and to sustainably increase its turnover.



- One of Europe's top ten white goods manufacturers
- An OEM-ODM service provider to Europe's A-brand appliance manufacturers
- One of the top three white goods manufacturers in Turkey

Refrigerator Factory

Capacity (units/year): 3,200,000
Energy consumption (GWh/year): 40
Employees: 2.600
Production lines: 5

Air Conditionner Factory

Capacity (units/year): 600,000
Energy consumption (GWh/year): 4
Employees: 100
Production lines: 2

Washing Machine Factory

Capacity (units/year): 2,200,000
Energy consumption (GWh/year): 27
Employees: 1.000
Production lines: 4

Cooking Appliance Factory

Capacity (units/year): 1,250,000
Energy consumption (GWh/year): 17
Employees: 515
Production lines: 5

Dishwasher Factory

Capacity (units/year): 500,000
Energy consumption (GWh/year): 4,5
Employees: 250
Production lines: 1



The Zorlu Group in Brief

With 23,000 employees and over TRL 10 billion in total assets, the Zorlu Group continues to grow while enhancing the reputation of the “Zorlu” name in the global arena and inspiring confidence in its brand in line with its philosophy of “We will go the furthest, wherever we go; we will climb to the top, wherever we are; we will be the best, whatever what we do...”

Zorlu Group’s Fields of Activities

Home textile	
Korteks	The biggest fully-integrated producer of polyester yarn in Turkey
Zorluteks	The largest home textile manufacturer in Europe
Consumer durables	
Vestel	<p>The leading OEM/ODM provider of TVs, white goods, and digital products for the European market</p> <p>Among the top three players of the European LCD market with a market share of 15% in the last quarter of 2009</p> <p>Production bases in Turkey and Russia</p> <p>Among the first three players in the domestic market with the Vestel brand</p>
Energy	
Zorlu Energy Group	<p>One of the primary players in the domestic market with an installed capacity of 660 MW at end- 2009</p> <p>Accounted for nearly 6.4% of the total electricity generated by the private sector in Turkey (excluding BOO, BOT & TOR)</p> <p>Ongoing investments in Russia, projects at the project finance stage in Pakistan and Israel</p> <p>Also active in natural gas production, trading, and distribution</p>
Real Estate	
Zorlu Real Estate	<p>Became operational in 2006</p> <p>Develops & invests in high quality residential, office, shopping center and hotel projects at prime locations in Turkey & abroad.</p> <p>Ongoing project: Zorlu Center (a mixed-use real estate development project in the Zincirlikuyu district of İstanbul</p>



Structure of the Vestel Group of Companies

The biggest (60%) share of the Vestel Group of Companies' consolidated revenues comes from television set manufacturing. White goods, which have been contributing an increasingly greater share of the Group's revenues, now account for 35% of the total revenues.

Vestel Electronics is the flagship of the Vestel Group of Companies

The majority shareholder in most Group companies and the creator of innovative consumer electronic products, Vestel Electronics is the flagship of the Vestel Group of Companies. One of Turkey's and Europe's biggest electronics manufacturers, Vestel Electronics was one of the top three players in the European LCD TV market with about a 15% market share in the last quarter of 2009.

In 2009, Vestel Electronics exported 77% of its production.

Vestel White Goods is responsible for manufacturing the Group's home appliances.

Vestel White Goods is a home appliance manufacturer that is strongly positioned in Europe as well as in Turkey and nearby countries.

The Vestel Group of Companies has an effective commercial structure that is also mindful of the domestic market in addition to international markets and that is managed through proactive strategies.

The Vestel Group of Companies' strong business presence in both domestic and international markets enables it to supply its products to millions of consumers.

Vestel Foreign Trade

With a huge array of products ranging from televisions to digital boxes and from refrigerators to cooking appliances, Vestel Foreign Trade is responsible for the international marketing and sales of the goods manufactured by Vestel Group of Companies.

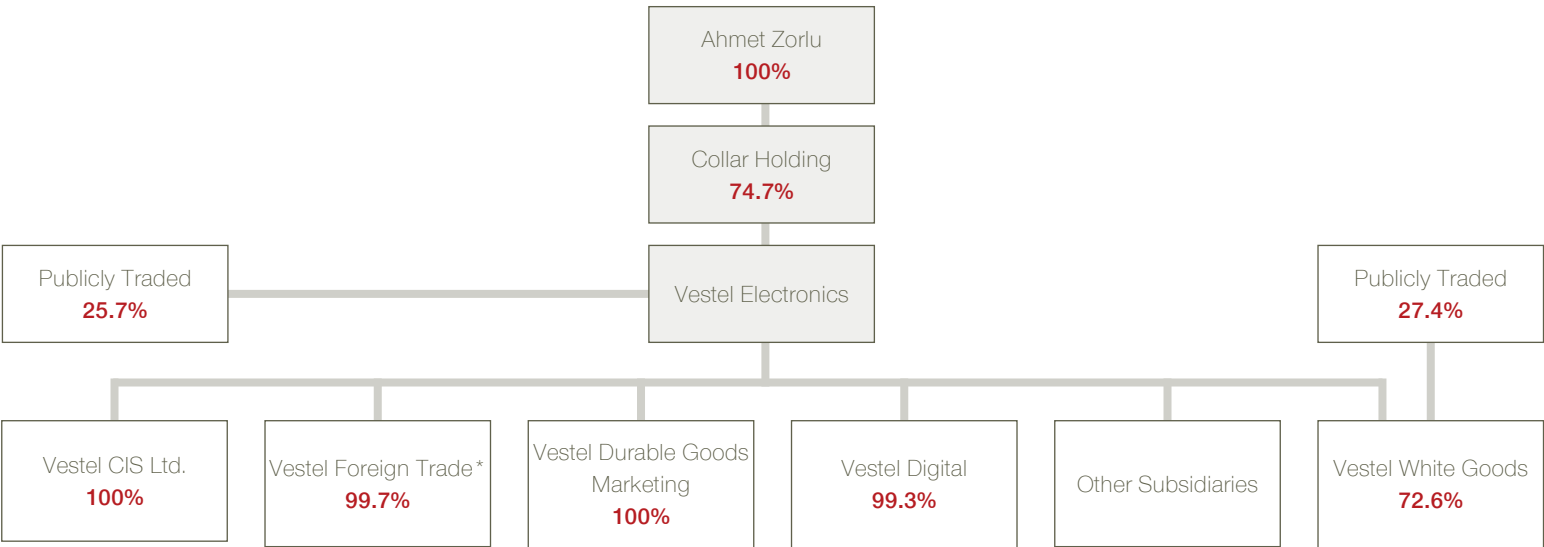
Turkey's export champion in the electronics industry for the last twelve years, Vestel Foreign Trade conducts its international marketing and sales activities through international offices and local sales and distribution networks in France, Germany, Spain, UK, Netherlands, Italy, Finland, Russia, and Romania.

Vestel Durable Consumer Goods Marketing

Vestel Durable Consumer Goods Marketing is responsible for domestic marketing and sales activities of the goods that are manufactured by production companies within Vestel Group of Companies.

Vestel in Russia: Vestel CIS

Vestel CIS is a subsidiary of Vestel Electronics based in Alexandrov near Moscow. With 85,000 m² of enclosed space, Vestel CIS manufactures refrigerators and washing machines for the Russian and CIS markets. The Company's refrigerator and washing machine plants, which commenced production in 2006, have annual production capacities of 500,000 units each..



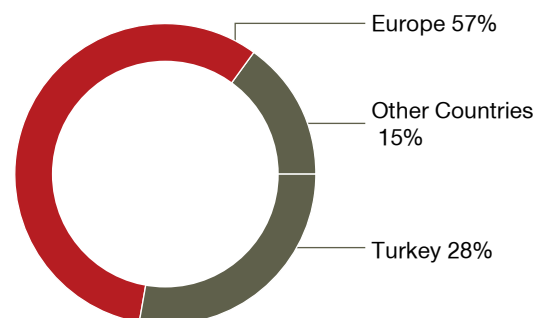
* Consisting of foreign trade companies

Financial Highlights*

USD million	2008	2009
Net Sales	974	839
Exports/Sales	66%	72%
Operating Profit	60	109
EBITDA	97	144
Net Profit	24	76
Investments	28	9
R&D Expenditures/Sales	1.3%	1.5%
Total Assets	559	615
Shareholders' Equity	316	391
Net Debt (Net Cash)	(25)	(10)
EBITDA Margin	10%	17%
Return on Equity (%)	6.4%	21.5%

*CMB based financials

Regional Breakdown of Sales



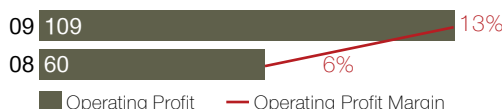
Gross Profit and Gross Profit Margin

USD Million



Operating Profit and Operating Profit Margin

USD Million



EBITDA and EBITDA Margin

USD Million



Net Profit and Net Profit Margin

USD Million



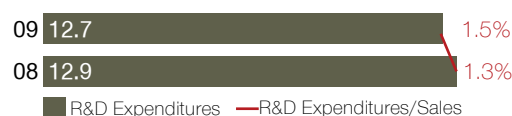
Shareholders' Equity and Return on Equity

USD Million



R&D Expenditures

USD Million



Vestel White Goods shares

Vestel White Goods Dividend Policy

Pursuant to Article 5 of the CMB's Communiqué Serial No IV-27, a dividend minimum at the rate of 25% of the distributable net income shall be distributed in cash or in the form of stock in 2007 and in each succeeding year within the frame of Company's articles of association.

Each year, the Board of Directors shall submit a proposal in the General Assembly Meeting relating to the amount of dividend which is to be assessed by considering the National and Global Economic conditions and Company's growth plan.

Vestel White Goods Dividend Proposal

The Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi convened at the Company's headquarters on 26 April 2010 presided over by Ahmet Nazif Zorlu. The items on the agenda were discussed and the following resolution was passed.

It was resolved with consensus by the members of the board in attendance at the meeting to submit the following proposal to the general assembly of shareholders: "A gross cash dividend in the amount of TRL 102,403,737.00 shall be paid out in proportion to the Company's paid in capital. This gross dividend, which represents 53.90% of the Company's paid in capital during the January to December 2009 period, is the amount remaining after statutory reserves are being set from the profit for the period as shown in the financial statements prepared in accordance with "Communiqué on Principles Regarding Financial Reporting in Capital Markets" and with International Financial Reporting Standards (IFRS). It corresponds to a gross dividend of TRL 0.5390 and to a net dividend of TRL 0.4582 per share with a nominal value of TRL 1.00.

Vestel White Goods Share Performance

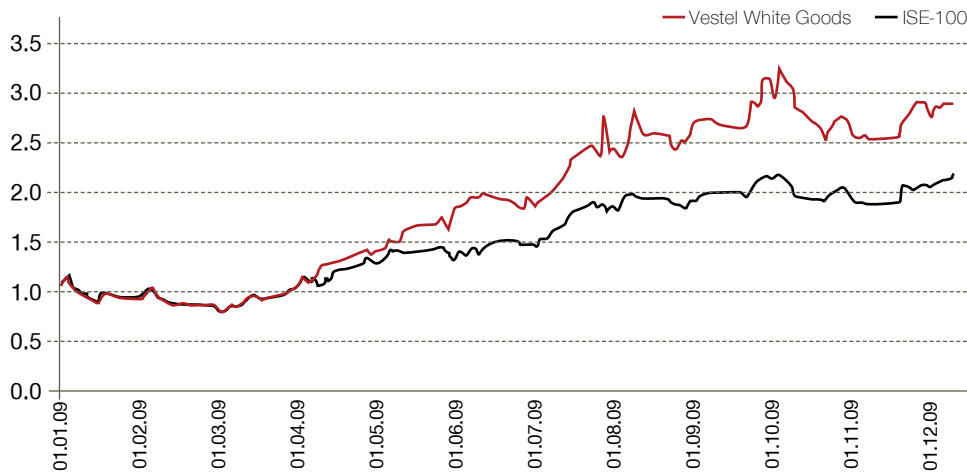
Vestel White Goods undertook its initial public offering in 2006. 31.5% of the Company's shares are now being traded on the İstanbul Stock Exchange (ISE) under the symbol VESBE.

At year-end 2009, the Company's shares were being included in the ISE-100, ISE All Shares, ISE Industrials, and ISE Metal Products indexes.

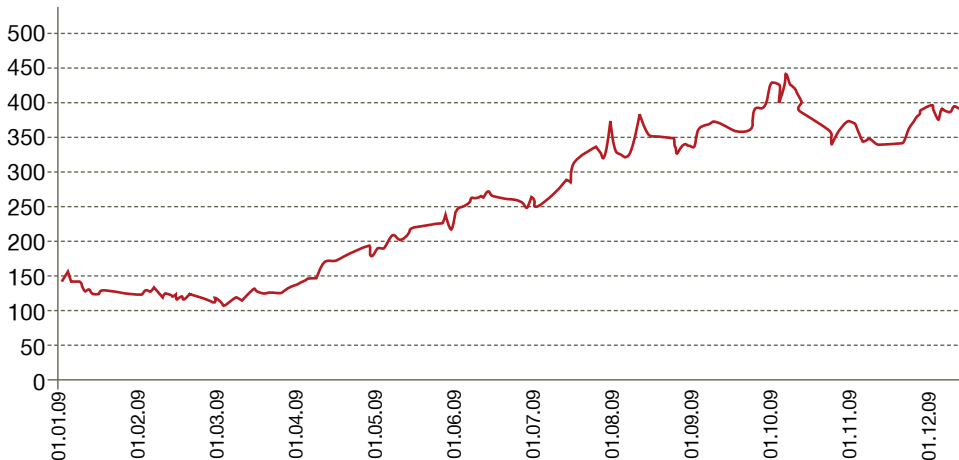
Summary

	2007	2008	2009	2010T
Paid-in Capital (TRL)	190,000,00	190,000,000	190,000,000	190,000,000
Cash Dividend (TRL)	30,736,268	51,500,861	5,798,470	102,403,737
Dividend Ratio (TRL)	16.18%	27.11%	3.05%	53.90%
Gross Dividend per Share with a nominal value TRL 1	0.1618	0.2711	0.0305	0.5390

Vestel White Goods- ISE 100 Comparative Return in 2009 USD



Vestel White Goods Market Capitalization USD Million



Vestel Electronics, Vestel White Goods' majority shareholder, was assigned a corporate governance rating of 8.5 out of 10 by ISS Corporate Services. For more detailed information about this rating, please refer to:
www.vestelinvestorrelations.com

Dividend Return %

07	8.0%
08	7.3%
09	2.1%
10E	11.4%

Share Price Summary USD

	2009
Number of shares	190,000,000
Publicly held	59,793,000
High	2.30
Low	0.56
Year-end	2.06
12-month return	165%
12-month average trading volume	2,120,189
Market capitalization	390,784,641

In 2009 the İstanbul Stock Exchange's ISE-100 index rose 100% in value on a USD basis while the yield on Vestel White Goods shares increased 165% by the same measure.

Awards, Standards, and Patents

Vestel White Goods is focused on profitable and sustainable growth that is nourished by a production strategy rooted in the principles of technological effectiveness, innovation, and quality. Vestel White Goods’ products are designed and manufactured to be:

- Focused on customer satisfaction
- Environment-friendly
- Innovative.

In 2009 the Company’s goods once again were the preferred choice of millions of consumers located all over the world.

Standards

Vestel White Goods conducts its manufacturing activities in full compliance with the following standards.

Operational Standard Compliance Certifications

ISO 9001-2008 Quality Management System certification
ISO 14001-2004 Environmental Management System certification
OHSAS 18001-2008 Occupational Health & Safety Assessment Series certification (IQNET)
International Compliance Certifications

Product Standard Certifications

TSE (Turkey), CE (European Union), SASO (Saudi Arabia), GS (Germany), GOST R (Russia), UL (USA), IRAM (Argentina), KUCAS (Kuwait), TER (Kuwait), SGS (Australia), UL (Canada), S11 (Israel), SONCAP (Nigeria), CERTIGAS (EU), ISCIR/ICPE (Romania), POLAND STD (Poland), UkrSEPRO (Ukraine), TÜV/VDE (Germany), SEMKO (Sweden), CQC/CCC (China)

Patents

During 2009 Vestel White Goods applied for 32 patent/utility model and 23 industrial design registrations.

Of these, processing was completed and registrations were awarded for 17 patent/utility model applications and for 7 industrial design applications. The remaining applications are currently under review.

Awards

Vestel White Goods’ technology, innovativeness, and quality have all been recognized by national and international awards.

- In the “Design Turkey” competition jointly organized by the Professional Association of Industrial Designers, Vestel White Goods received two “Good Design” awards in 2008. In 2010 the Company increased the number of such awards to six with the addition of four in the “product design” category that were awarded for its Aramides and Lissotis washing machines in the IF Design Forum and Red Dot Product Design Award competitions in Germany.
- Vestel White Goods ranks second in the Turkish Patent Institute’s “Registered Patents” league table.
- Already holding two previous Turkish Patent Institute awards in the “Golden Patent” and “Patent Championship League” categories, in 2009 Vestel White Goods increased that number to three by placing second in the institute’s “Registered Patents” category.



During 2009 Vestel White Goods applied for 32 patent/utility model and 23 industrial design registrations.

Vestel White Goods’ Competitive Strengths and Strategic Goals

Competitive Strengths	Strategic goals
<p>On the production front</p> <ul style="list-style-type: none">• Flexible production capabilities (product differentiation competencies); high capacity and economies of scale• Facilities that make use of Europe’s most modern and advanced technology as a result of investments undertaken over the last ten years• Logistical advantages arising from proximity to European markets• Extensive network of national and international suppliers; logistical, cost, and quality advantages arising from proximity to domestic suppliers• Productivity, effectiveness, and cost advantages provided by production facilities located under a single roof• Low unit labor costs compared with those in the rest of Europe. <p>On the customer front</p> <ul style="list-style-type: none">• Status as a company providing OEM and ODM services for Europe’s A-brand manufacturers, retail market chains, and distributors• One of the leading players in the Turkish white goods manufacturing industry• Vestel Group’s strong national and international distribution network. <p>On the brand and corporate governance fronts</p> <ul style="list-style-type: none">• Strong market position of the Vestel brand• Deep-rooted and strong corporate relationships and bargaining clout• Youthful, dynamic, and flexible management team.	<ul style="list-style-type: none">• Continue gaining market share by further strengthening the Company’s position as an OEM/ODM manufacturer in the European market• Further strengthen market position both in Turkey and also abroad in CIS, Middle Eastern, and North African countries with its own Vestel brand• Focus on technology development, ongoing R&D, and effectiveness• Continuously improve production processes and products; invest in technology products; focus on products that save energy, operate quietly, and are environment-friendly.



With its competitive advantages and strategic goals, Vestel White Goods is advancing confidently towards becoming a global brand.

Chairman's Message



As we have always said, the formula of our success is based on the way that our management and personnel thoroughly identify with their jobs and “do everything on time and from the ground up”. By adding financial strength, vision, a passion for innovation and commitment to this precept, Vestel stands in the forefront of those who shape the course of technology in the world today.

In the wake of 2009
The collapse of Lehman Brothers, one of the world's biggest investment banks in September 2008, triggered a global economic crisis that spread throughout the world and remained at the top of everyone's agenda in 2009 as well.

2009 proved to be quite a difficult year for most national economies. Countries experienced some of the severest business downturns and some of the highest rates of unemployment since the Great Depression. In the face of such adversities, governments introduced stimulus and recovery packages to counter the effects of the contraction, sought coordinated ways to deal with the crisis, and instructed their central banks to free up their monetary policies. Countries posted huge budget deficits because of the resources that were being allocated to recovery measures while central bank interest rates plummeted to all-time historical lows.

Despite signals of recovery in the global economy and improvements in indicators in the second half of 2009, the general expectation is that 2010 is going to be a difficult year as well. Liquidity injections by central banks around the world to offset the effects of the crisis pose severe inflationary risks, which are being further exacerbated by commodity prices, which have begun to rise once again. Unemployment remains high, averaging more than 10% worldwide. Although markets have returned to life, there is an unevenness in the domestic markets of developing countries other than China. Finally there are worrisome structural problems such as excessive public sector indebtedness in EU countries (particularly in Greece and Portugal). In short, it is quite apparent that rapid, real-sector economic growth has not yet got under way.

We foresee that 2010 will be a year in which the business world will be taking cautious steps but in which we shall also need to act with both hope and courage.

Vestel stands on sound foundations.

In response to 2008, a year which we all recall as being an especially bad one, Vestel White Goods—along with other members of the Vestel Group—adopted a series of measures and strategies whose correctness and effectiveness began making themselves felt in performance indicators in the first half of the new year. The result was that the Company had a successful and profitable year in 2009.

As it continues to strengthen its superior position as an OEM/ODM producer in the European white goods market, Vestel's talent for transforming R&D competencies into products is the key to its ability to succeed under all conditions.

As a company whose export atlas today encompasses 127 countries and which manufactures for hundreds of labels in different countries around the world, Vestel acts quickly in response to changes, adapts to the requirements of the time, and maintains its dynamic structure. Thanks to a nimble structure that is based on innovation, R&D abilities, and flexible production models, Vestel doesn't just respond to different customer habits and expectations in different

geographies in an effort to satisfy the different market requirements arising from them: it surpasses consumers' expectations by giving them something even better.

Vestel's rapid growth in white goods manufacturing was nourished by the Company's strong capitalization, which enabled it to complete all of the investments demanded by that capital-intensive business line in just ten years' time. In recent years, Vestel has been making significant progress in the direction of putting the driving force of its integrated competencies in industrial design and technology to work in developing environment and consumer-friendly products. Vestel developed laundering technologies capable of minimizing water and energy consumption and also introduced the first refrigerators equipped with an MP3 player that could also record voice messages. In the short period defined by the arc of Vestel's rapid growth, the Company joined the ranks of Europe's top ten white goods manufacturers.

Today Vestel White Goods operates out of Vestel City, the world's second largest and Europe's biggest manufacturing complex with facilities located under a single roof. The Company has an annual production capacity of nearly 8 million units in facilities with a total of 300,000 m² of enclosed space.

Vestel: Environmentally and socially responsible, corporate, transparent, and ethical

What we are witnessing today is a realignment of the world order in many of its aspects. This new world order suggests that companies need to simultaneously develop themselves along two main axes if they are to achieve sustainability. The first of these involves contributing increasingly more to the community and the environment and making stakeholders aware of this as transparently as possible. The second is concerned with R&D and innovation. The common denominator of both is their focus on clean and green technologies.

We as Vestel regard the environment as an asset that we hold in trust for future generations. As a concomitant of our sense of social responsibility, we conduct our activities in every area in which we have a presence within the framework of an environment management system whose basis is the conservation of natural resources. In everything that we do, we consider it our duty to be mindful of the health and safety of employees, customers, and local inhabitants and to protect the environment and nature for future generations.

Vestel White Goods thus reflects its philosophy of making productive use of energy and natural resources in its product line and the Company ensures that attention is also given to this matter in its production operations. Work is currently in progress on making further improvements in all of the products that the Company has already converted to the A and A+ energy classes.

At the same time, we also behave as a good corporate citizen everywhere and at all times while supporting sustainable, long-term projects that will contribute towards social development. In light of our philosophy of investing in the future, we plan and carry out activities in the areas of education, culture, and sport for young people through the Mehmet Zorlu Foundation. We support education through the scholarships that we provide and the schools that we build.

The United Nations Global Compact, to which the Zorlu Group became a signatory in 2007, serves as an important guide for all Group companies with respect to our commitment and adherence to environmentally responsible practices in the conduct of all of our activities.

An important benefit of the Global Compact is that it adds an official and international dimension to our sense of corporate and social responsibility. Zorlu Holding published its first progress report in 2009 in which was described what had been done to achieve greater sustainability since the compact was

signed in 2007. As a member of the Zorlu Group, Vestel White Goods' own efforts in achieving sustainability as prescribed by the Global Compact were also mentioned.

The formula for progress and growth

As we have always said, the formula of our success is based on the way that our management and personnel thoroughly identify with their jobs and "do everything on time and from the ground up". By adding financial strength, vision, a passion for innovation, and commitment to this precept, Vestel stands in the forefront of those who shape the course of technology in the world today. When we combine this competitive edge with those elements—such as quality, price, and service—that ensure the sustainability of customer satisfaction, we can proudly say that we have become a truly global company.

Vestel's biggest competitor is itself. With every step that we take we raise the bar of our success another notch higher. Embarking on our second quarter-century, we continue to strive with all our energy and enthusiasm focused on our goal of being a global brand.

Just as in the past so too in the future, we shall continue to represent Turkey's technological acumen and human skills in the international arena. In closing, I extend my sincerest thanks to all our stakeholders for having contributed towards and been the mainstays of our success.



Ahmet Zorlu
Chairman of the Board of Directors

Board of Directors



(4)

(5)

(3)

(1)

(2)

(6)

(7)

1 Ahmet Zorlu

Chairman

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

2 Prof. Dr. Ekrem Pakdemirli

Board Member

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

3 Olgun Zorlu

Board Member

(1965 - Trabzon) Having graduated from university in the UK, Olgun Zorlu began his career in 1986 and gained managerial experience in the Zorlu Group's textiles companies. He started to serve as a Board Member for Zorlu Holding in 1998. In addition to being a member of the Vestel White Goods Board of Directors, Mr. Zorlu also serves on the boards of Zorlu Holding and other group companies.

4 Yılmaz Argüden

Board Member

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

5 Ömer Yüngül

Board Member and Chairman of the Executive Committee

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

6 Enis Turan Erdoğan

Board Member and Member of Executive Committee

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

7 Cem Köksal

Board Member and Member of Executive Committee

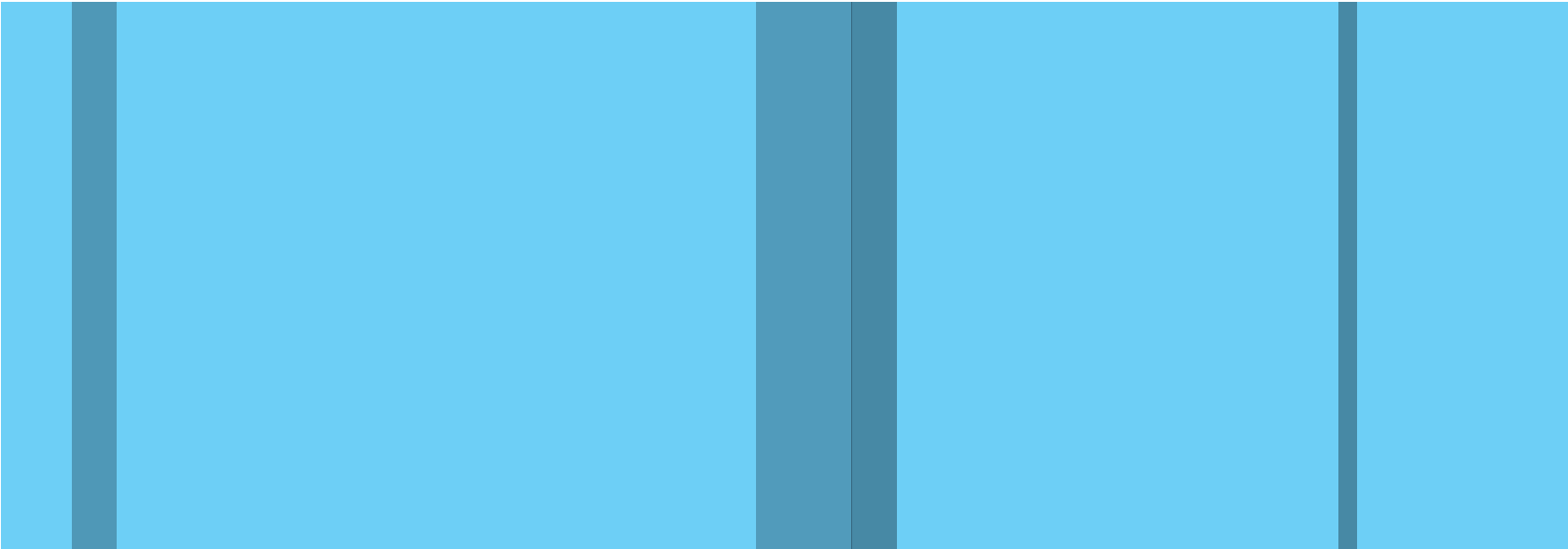
(1967 - Ankara) Cem Köksal graduated from Boğaziçi University (Department of Mechanical Engineering) in 1988 and received his master's degree from Bilkent University in 1990. He served in various positions in the banking industry between 1990 and 2001, becoming assistant general manager of DenizBank 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.

An interview with Vestel Group of Companies Executive Committee Member Responsible for White Goods



What sort of year was it for Vestel White Goods in main outline?

Like the other companies in the Vestel Group, Vestel White Goods entered 2009 with the advantage of having previously readied itself for the crisis conditions that it knew were in the offing. Recognizing that the downturn was going to become even more severe, in the third quarter of 2008 Vestel reviewed and restructured the production and management processes, organizational elements, and product lines of the companies in its own Group and it took measures to make Vestel more resilient. At every stage of this, the fundamental considerations were being mindful of productivity and achieving effective cost management.



Low raw material prices, strong supplier base and the advantages we have in procurement supported our policies.

In Europe, which is our main export market, the demand for products in the lower price segments remained somewhat livelier. That, combined with the logistical advantages arising from our own proximity to the European market, gave Vestel a competitive edge.

Cuts in special consumption tax (SCT) rates in 2009 that were made to stimulate the market nourished sales across the sector, the sector sales gained additional momentum when the duration of the cut was extended in white goods sector. These measures had the effect of giving the sector a six-month breathing spell. In addition to the SCT cut, Vestel also concentrated on consumer-focused campaigns. Recognizing that point-of-sale consumer service plays a crucial role in shaping brand choices, an ongoing effort has been made to improve the service quality provided by dealers.

As a result of these developments, Vestel White Goods succeeded in maintaining its unit-based production and sales figures close to the previous year's levels despite very fragile market conditions in Europe and weak consumer demand at home. From the standpoint of profitability, our Company performed more strongly in terms of profit and it made its net profit three times bigger compared to that of the previous year.

To what factors do you attribute that profitability?

Despite depressed demand in Europe, our primary export market, price levels remained close to those of the previous year. A weaker Turkish lira also worked to our advantage as a net exporter. At the same time, because of the agreements that we have entered to with the sector's giant firms as an original equipment & design manufacturer (OEM/ODM), we are concentrating more of our attentions on appliances that offer relatively higher value added. For example we've begun moving away from exporting small refrigerators in favor of bigger ones, whose added value is greater. This strategy not only increases the productivity of our manufacturing processes but also has a positive impact on our profitability as well.

What can you tell us about market trends and Vestel White Goods' strategies?

Although there were signals of impending recovery in the last quarter of 2009, I believe it will take some time before we see any effects of that on demand and sales in our sector. This is especially because the lingering effects of the crisis have still not entirely gone away in Europe, which is still our major export market. That said, the demand for products in the lower price segments remains somewhat livelier. That, combined with the logistical advantages arising from their proximity to European market, gives Turkish firms a competitive edge.

In addition to these advantages Vestel White Goods has another—and not easily assailable one—as it confronts Far Eastern competition: its strong R&D and technology competencies. Our Company continues to move forward with the strength and confidence arising from its position as the leading company providing OEM/ODM services exclusively for Europe's A Brand manufacturers. We remain as committed as ever to defending and advancing our position as one of the world's biggest white goods producers.

At the same time, we are also implementing strategies to increase our market shares in Turkey, the Middle East, CIS countries, and parts of North Africa, where we continue to grow stronger with our Vestel and Regal brands. I believe that we will begin reaping the benefits of these efforts in 2010 and the years that follow.

What is Vestel's position in the wave of design and technology innovation that is sweeping through the sector at this time?

As Vestel, we have always kept a close look at new consumer trends in white goods and focused our attention on innovative products that bring different features together. The ability to come up with an ideal blend of design and technology is crucially important to this effort. Our approach to innovation is concentrated on three issues: customizing, making life easier, and contributing to ecological balance.

Vestel White Goods succeeded in maintaining its unit-based production and sales figures close to the previous year's levels despite very fragile market conditions in Europe and weak consumer demand at home.

An interview with Vestel Group of Companies Executive Committee Member Responsible for White Goods

Already holding two previous Turkish Patent Institute awards in the “Golden Patent” and “Patent Championship League” categories, in 2009 Vestel White Goods increased that number to three by placing second in the Institute’s “Registered Patents” category among companies with the greatest number of patent registrations to their name.

The Maestro refrigerator which we introduced to the market and which incorporates an MP3 player and voice message recording features is currently the most advanced example of what I mean by “customization”. At the same time, products that we design taking local considerations into account also allow us to distinguish ourselves in terms of such customization. For example the cookers that we export to Israel incorporate a “Sabbath” function that prevents them from operating (or allows them to operate only at minimum energy levels) on Saturdays. For some South American markets we produce washing machines without a 90° program. For the Russian market we produce washing machines with shallower drums as well as refrigerators which are assembled and shipped according to the climates of the countries to which they’re being exported.

In 2008 we introduced the “Ecowash” technology which we developed for our dishwashers and which makes highly efficient use of water. We followed that up in 2009 with “TwinJet”, a technology which we developed for our washing machines and which not only makes life easier but also

saves time, conserves energy and water, and has environmental benefits as well.

What I want to reiterate here is that ergonomic, user-friendly, and elegant designs boost the value added of products as well. Our design competencies are confirmed by the awards that we’ve won. In the “Design Turkey” competition jointly organized by the Professional Association of Industrial Designers, Vestel White Goods received two “Good Design” awards in 2008. In 2010 the Company increased the number of such awards to six with the addition of four in the “product design” category that were granted for its Aramides and Lissotis washing machines in the IF Design Forum and Red Dot Product Design Award competitions in Germany.

To sum up, the combination of our boundless R&D and innovative strengths together with our ability to transform them into products demonstrates one of Vestel’s greatest advantages. Our R&D investments will continue without letup in our efforts to develop innovative and high value added products that address the changing needs of white goods consumers.

Our philosophy of making efficient use of energy and natural resources doesn’t just apply to our products: we make sure that our production facilities do as well.

The importance you give to R&D is shown by your patent awards, isn't it?

We're extremely productive in the area of patents and this is confirmed by the awards that we've received in the last three years. In the more than a decade between the Company's founding and the end of 2009:

- We submitted 176 patent/utility model applications of which 72 have been registered.
- We submitted 71 industrial design applications of which 49 have been registered.

The applications that have not yet received registration are still being processed.

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Can we expand a bit on Vestel White Goods' environmental awareness?

Like all the other members of the Vestel Group of Companies, Vestel White Goods regards social and environmental awareness not as a marketing ploy but rather as an element of its social responsibility. For this reason, nearly 90% of our product line consists of environment-friendly class A and class A+ products. As Vestel we make every possible effort to manufacture white goods that have the smallest environmental footprints possible during both production and use.

For example we have not been using lead-based solders in any of our appliances' electronic cards and electrical components for many years. None of the refrigerants used in our refrigerators or the other gases used in our production processes are detrimental to the ozone layer.

Our philosophy of making efficient use of energy and natural resources doesn't just apply to our products: we make sure that our production facilities do so as well. In addition to projects related to compressed air, cooling water, and office and factory climate control whose aim is to use energy

more productively, we also engage in efforts to reduce our electricity costs as well. Our on-the-job training activities include energy-efficiency components. Our factories are all equipped with new technologies and for that reason they use less electricity and natural resources than plants that make use of old-fashioned technologies do. In all of this, our goal is to help prevent global warming and reduce our carbon emissions while continuing to do business.

Is there a personal message that you'd like to pass on to your stakeholders?

As a transition year, 2010 is going to be no less difficult than 2009 was. But with its product line reflecting global preferences and supported by R&D muscle, with its strong collaborative relationships, and with its superior export competencies, Vestel White Goods will remain success and performance-focused. The unstinting efforts of all of our personnel and management and our customers' confidence and loyalty have always been the prime determinants of our success. I therefore take this opportunity to express my thanks to all of our stakeholders along with my sincerest and best wishes.

With a product line reflecting global preferences and supported by R&D muscle, with its strong collaborative relationships, and with its superior export competencies, Vestel White Goods will remain success and performance-focused.

Executive Committee



(3) (5) (8) (4) (6) (9)

(2) (1) (7)

1 Ömer Yüngül

Chairman of the Executive Committee
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2 Enis Turan Erdoğan

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3 İhsaner Alkım

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

4 Cem Köksal

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

5 Levent Hatay

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

6 İzzet Güvenir

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

7 Cengiz Ultav

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

8 Özer Ekmekçiler

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

9 Necmi Kavuşturan

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

Senior Management



(1)



(2)



(3)



(4)



(5)



(6)



(7)



(8)

1 İzzet Güvenir

Member of the Executive Committee

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

2 Nedim Sezer

General Manager

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

3 Alp Dayı

Assistant General Manager, Financial Affairs

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

4 Serhat Tolga Sönmez

Manager of the Refrigerator Plant

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

5 Kemal Özgür

Manager of the Washing Machine Plant

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

6 Cevdet Yavuz

Manager of the Cooker Plant and Air Conditionner Plant

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

7 Erdal Haspolat

Manager of the Dishwasher Plant

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

8 Hakan Akıncı

Assistant General Manager, Purchasing

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 Assistant General Manager responsible for purchasing at Vestel White Goods.



Management's Assessment and Analysis of Operational Results

Sectoral review

The situation in the European white goods sector played an important role in increasing Turkey's white goods exports to that region.

The adverse impact of the global crisis began to make itself felt in Europe, which is Vestel White Goods' main export market, in the last quarter of 2008 and there was a substantial drop in demand.

Demand continued to fall throughout 2009 and market conditions remained weak, resulting in double-digit contraction in Europe's white goods sales.

In such an environment, Turkey's white goods manufacturers found it possible to increase their exports to Europe and to improve their market shares there on the one hand by exploiting their advantages of geographical proximity, low-cost but high-quality labor, and well-established supplier base and on the other thanks to shift of demand to lower-priced goods.

In the domestic market, the negative impact of global crisis conditions on the general level of consumption caused the demand for white goods to contract as well. In March 2009, the government reduced the rate of special consumption tax charged on white goods to zero for the next three months after which it announced that it would remain at 2% until September. This had the effect of releasing a considerable amount of postponed demand and caused the decline in white goods sales to remain in the single-digit level.

Turkey's white goods manufacturers found it possible to increase their exports to Europe and improve their market shares there on the one hand by exploiting their natural advantages of geographical proximity, low-cost but high-quality labor, and advanced submanufacturing base and on the other thanks to demand shifting to lower-priced goods.



Management's Assessment and Analysis of Operational Results

Vestel White Goods' Business Strategy

- Strengthen its position as a superior OEM/ODM supplier in the European market
- Further strengthen market position both in Turkey and also abroad in CIS, Middle Eastern, and North African countries with its own Vestel brand
- Reinforce market position in Europe through brand name or licensing rights acquisitions
- Defend and build upon traditional cost advantage, flexible production, and differentiation competencies; produce customized products for more customers
- Continuously improve production processes and products; focus on products that save energy, operate quietly, and are environment-friendly.

Assessment of Vestel White Goods' operational results

Despite the adverse business conditions that beset markets, Vestel White Goods marshaled its competitive advantages in the best way possible and sustained its strong production performance.

Vestel White Goods commands a total annual production capacity of 7,750,000 units in its refrigerator, washing machine, cooking appliance, dishwasher, and air conditioner plants.

Parallel to the contraction in demand experienced in both domestic and international markets in response to the global economic crisis, Vestel White Goods' total production in 2009 amounted to 4,243,301 units. (4,790,910 units in 2008.)

Vestel White Goods is a home appliances manufacturer which has completed its basic product line investments as prescribed by its growth strategy. It continues to invest in R&D and in molds for new models while undertaking capacity increase investments by taking a proactive approach in view of market prospects.

In 2009 Vestel White Goods continued to conduct manufacturing and sales activities under the OEM/ODM agreements that it has entered into with the world's giant home appliance names.

The Company has been strengthening its position as the leading supplier of OEM/ODM services to the European white goods market for many years.

The Russian refrigerator and washing machine plants owned by the Vestel Group of Companies provide OEM/ODM services for A brand names in the CIS as well as manufacturing Vestel branded products.

An array of brands in the Group's portfolio, including Vestfrost, which is very well known in northern Europe, continues to successfully serve Vestel's strategy of strengthening its position in Europe.

Vestel White Goods' wide range of models and production flexibility allow it to respond quickly to customers' needs no matter what they may be. This ability means that the Company can fulfill and deliver European manufacturers' orders with the shortest turnaround time.

Sales performance

In 2009 Vestel White Goods recorded revenues of USD 839 million (USD 974 million in 2008). Exports accounted for 72% of the Company's sales. European market accounts for 57% of the total sales while domestic sales accounts for 28% and sales to other countries (Turkic Republics, Iran, Iraq, Libya and others) accounts for 15%.

In 2009 Vestel White Goods sold a total of 4,233,687 units. (4,764,590 in 2008.)



12%

Vestel is one of the biggest and leading players in the Turkish home market for white goods, of which it commanded a 12% share in 2009.

2009 Capacities		
Unit	Enclosed Space (m²)	Production Capacities
Refrigerator	148,916	3,200,000
Washing Machine	40,733	2,200,000
Air Conditioner	15,750	600,000
Cooker	33,650	1,250,000
Dishwasher	15,750	500,000
Warehouse	57,000	-
TOTAL	311,799	7,750,000

In Europe, the Company's major export market, parallel to weakness in demand, double digit contraction was observed in white good sales in 2009. Nevertheless, Vestel White Goods white goods exports of the four major products reached last year's level as of the year-end 2009. The Company's increased advantage against Far Eastern competitors due to the geographical proximity and shift of demand to lower price segments in Europe driven by the economic crisis coupled with the Company's expanded product line and flexible and fast manufacturing and delivery competencies played a great role in the market share growth.

In order to stimulate demand in domestic market for the period between March and September, the government lowered the "special consumption tax" rate charged on white goods gradually. The effect of this intervention was to keep white goods sales from sliding further than they did. Vestel is one of the biggest and leading players in the domestic market for white goods, of which it commanded a 12% share in 2009.

Profitability analysis

Vestel White Goods' EBITDA amounted to USD 144 million in 2009 while its EBITDA margin was 17%.

The principal factors contributing to the improvement in operating profit despite the relative decline in sales revenues are listed below.

- Cost-containment actions taken to increase productivity and effectiveness at every level of the Company in the global crisis environment;
- Observed declines in average raw materials costs;
- European market prices remaining at their 2008 average levels despite weak market conditions.

Vestel White Goods recorded a net profit of USD 76 million in 2009 (2008: USD 24 million) up by 200% YoY.

The Company's net profit margin in 2009 was 9.1%. (2.4% in 2008.)

Indebtedness

At end-2009 Vestel White Goods had a net cash position of USD 10 million.

Investments

In line with the Company's strategy to undertake the minimum amount of investment during the crisis period, Vestel White Goods realized total investments of USD 9.3 million in 2009.

The Company's R&D expenses in 2009 amounted to USD 12.7 million, which corresponds to 1.5% of the Company's total sales the same year.

In the future...

Vestel White Goods intends to establish presences in new markets outside its principal export market (Europe).

In keeping with this goal, the Company will continue to take an innovative, consumer-focused approach in the conduct of its R&D-driven efforts to expand its product line.

The Company expects that the global economy will shake off the effects of the recent crisis and return to the path of growth beginning in 2010 and that domestic and foreign demand will gradually increase in line with this.

Vestel White Goods will continue its determined efforts to increase its market share both in domestic and international markets by making the best possible use of its:

- Superior quality
- Innovative products
- Advanced technology
- Brand recognition.

9,1%

Vestel White Goods' net profit increased more than 200% to USD 76 million in 2009. During the same period the company's net profit margin in 2009 was 9.1%.

Developments in Product Lines

Refrigeration Appliances

Under-worktop, double door, no-frost, fridge-freezer units and built-in refrigerators as well as freezers and larders with widths ranging from 48 cm to 81 cm; which can address different market requirements and, constitute Vestel White Goods' refrigeration appliances.

The majority of Vestel-made environment-friendly refrigerators are in the A+ energy efficiency class and distinguish themselves in the market with such features as:

- A wide range of style, color, material, user interface, and function options capable of appealing to many different customer tastes and needs.

- In high-end products: ergonomic accessories that make them easier to use, filters that prevent the accumulation of offensive odors, entertainment center, suffused interior lighting made possible by light-emitting-diodes inside glass shelves.
- Products specifically designed to be compatible with different climatic conditions and mains voltages in different countries.
- "3-D Cooling" technology, which chills foods more evenly with the result that they remain fresher and retain their nutritional value for longer periods of time.

In 2009 Vestel White Goods completed its A++ energy class projects and introduced the first products in this category to the market.

In 2010 Vestel White Goods will be enriching its refrigeration appliance product line with

- Elegant, visually appealing new designs that are easier to clean and maintain
- Newly-designed easy-to-use displays.
- An "intelligent" interior lighting system that adjusts the amount of illumination according to ambient lighting conditions.
- "Cold accumulators" that keep foods in the freezer section cold during electrical power outages.
- A++ energy class products that use up to 45% less electricity than A+ class units.
- 70 cm wide no-frost refrigerators which incorporate technological and ergonomic features and which have the freezer compartment below the cold compartment rather than above it.

Life and future-friendly products that surpass expectations

Making effective use of its R&D and industrial design strengths to supply the market with innovative products, Vestel White Goods deploys the same competencies in its efforts to develop products that are environment-friendly, energy-efficient, and function-enhanced.

- Ecowash technology prevents unnecessary use of water and electricity by automatically selecting a program according to the dishes that are to be washed.
- The Junda line of washing machines have outstanding ergonomic features while conserving both energy and water.
- Platinum A Inverter air conditioners use significantly less energy in both their heating and cooling modes while their Bio Trio technology destroys ambient bacteria.
- The Lera line of cookers are equipped with a 100%-secure gas safety system.



Vestel Maestro Refrigerator

- MP3 player and voice message recording features
- 585 liter interior (gross)
- Reminder/timer feature
- Maximum energy efficiency
- 3D cooling system ensures even cooling
- Quick-freeze compartment
- Vacation mode
- Childproof lock



Washing Machines

All of the models in the washing machine product line are digital-controlled. They have load capacities in the 3.5 kg to 8 kg range and spin speeds in the 400 to 1,600 rpm range.

Vestel offers consumers a wide range of innovative options to choose from in its washing machine product line:

- SuperSlim (35 cm) and Slim (40 cm) width models that have been specially designed for use in cramped settings;
- Big-load capacity units with A+ energy efficiency ratings and with A-class rated washing and spinning cycles;
- Features that make the units more resource-efficient (such as a half-load detector) and more hygienic (such as a Hygiene Program and eco-ball system).
- TwinJet® technology, which uses to separate nozzles to spray water during washing cycles.



In 2009 the Company introduced the following units to the market

- Models incorporating TwinJet® technology with 8 kilogram load capacities; models equipped with a 12-minute SuperFast program;
- 9-kg capacity models in the A-10% energy class and high-efficiency (A-30% energy class) modes with 8 kg capacities;
- “Olympus” line of models incorporating ergonomic and aesthetic features that are the recipients of a Design Turkey design award.

In 2009 Vestel White Goods authored yet another first by producing washing machines for the Chinese market.



In 2010 Vestel White Goods

- Will continue working on projects for new products with energy consumption levels below A-30% and water consumption levels well below 6.125 liters per kilogram of laundry.
- Will be working on the designing of models with liquid crystal displays incorporating technological features that make units easier to use.

Vestel TwinJet Washing Machine

- Uses 35% less energy than A energy class washing machines
- 12-minute washing with “SuperFast” program
- Saves up to 90 minutes time by washing a normal load of laundry at 60 °C in 60 minutes
- Low water consumption saves up to 2.2 tons of water a year
- 8 kilogram load capacity
- 15 different programs
- Additional rinsing, wrinkle reduction, and antibacterial washing functions

Developments in Product Lines

Dishwashers

Vestel dishwashers come in a range of types capable of meeting the needs of most of the market. Standard 60-cm units have between 2 and 9+ program options. Energy class A dishwashers come in stand-alone, half built-in, and full built-in models.

Vestel dishwashers offer customers a host of different options as well as many environment-friendly features:

- A huge array of function and material options, ergonomic accessories, hygienic program capable of destroying up to 99.9999% of bacteria;
- Environment-friendly Ecowash technology that uses only as much water as is actually needed;

- Smartwash technology, which uses optical sensors to detect how dirty dishes are and automatically determines what washing temperature and time is most efficient.

In 2009

- A newly introduced dishwasher with a 15-person capacity became the leading product in its category and uses 28% less energy and 45% less water than 12-person models.
- Designed and manufactured to comply with voltage requirements and standards in many different countries, some dishwasher models have established themselves strongly in their market by virtue of their low (45 dBA) noise levels.
- Products specially designed for the Australia and New Zealand markets were completed and the products were introduced during 2009.

Vestel White Goods in 2010

- Work will continue on projects to further improve energy efficiency, washing, and drying performance and to lower water consumption and noise levels.
- Two new projects will be launched. One involves a line of products incorporating liquid crystal displays to make units more user-friendly and easier to use. The other involves 45-cm wide Slim units aimed especially at the Russian and UK markets.

Water heaters

Vestel White Goods added water heaters to its product lineup in 2009.

The Company's electrical water heaters are made in a range of capacities and are equipped with superior insulation properties that prevent heat losses of about 10% compared with competitor brands.

Vestel White Goods expects to continue expanding its water heater product line in 2010.



Vestel Hera 2009 Dishwasher

- Ecowash technology saves water, energy, and time
- One-touch "Half load" and "Single basket" settings allow more precise control
- Savings of up to 28% in water compared with conventional dishwashers and 10% compared with hand washing
- Intelligent sensors detect how many dishes there are to be washed and how dirty they are, saving both water and energy
- Programmable function allows starting time to be delayed 1-19 hours
- Three automatic programs selectable according to type of dishes to be washed
- Anti-overflow system and childproof lock
- Ventilator drying system prevents spot accumulation on dishes
- Stainless steel drum, metal filter, concealed heating element, PSW heating coil

Cooking Appliances

The Vestel cooking appliance product line is specially designed to meet all of the needs and expectations of the European and Turkish markets. Models include gas or electric, mechanical or digital controlled, knob/button/one-touch interfaces, built-in or free-standing full-sized ovens with various capacities; gas, electric, vitro-ceramic, and/or induction hob ranges; twin-partition full-sized ovens that permit simultaneous operation of two different cooking programs; single and twin-hob gas or vitro-ceramic domino ranges with glass surfaces.

Vestel cooking appliances are equipped with a wide range of options capable of appealing to every consumer.

- Material and function options, safety systems, ergonomic accessories, and cleaning features can be mixed and matched with one another in different combinations;
- The product line includes energy class A products that minimize the amount of electricity that is needed for cooking and heating.

Additions made to the Vestel product lineup in 2009

- Built-in ovens incorporating a pyrolysis function that makes after-use cleaning-up much easier.
- Single and twin-hob gas and hotplate domino ranges with stainless steel surfaces; vitro-ceramic ranges with stainless steel frames.

In 2010 Vestel White Goods will be working on two main projects

- A new line of full-sized gas, electrical, and combination 50 cm and 60 cm wide stoves whose range surfaces, doors, and fronts have been completely redesigned;
- A line of full-sized electric ovens with induction hob ranges.



Vestel Lera Cookers

- Anti gas leak safety system
- 6 models
- Childproof safety system
- Automatic pilot light
- Three color options: white, silver, stainless steel
- Clean-line, modern appearance similar to built-in models

Developments in Product Lines

Air Conditioners

The air conditioner product line consists primarily of environment-friendly refrigerant-using single and multi-unit wall-mounted split air conditioners in the 7,000 to 30,000 BTU/h range and free-standing units with 42,000 BTU/h or 55,000 BTU/h capacities.

Vestel air conditioners

- Equipped with super-tropical functions using cold-injection compressor cooling Vestel air conditioners can be used effectively for cooling in regions such as the Middle East and South America where the outdoor temperature exceeds 52° C.
- For regions such as Northern Europe where the outdoor temperature falls below 5° C, there are Vestel air conditioners equipped with heaters in their external units that allow them to continue functioning without suffering performance hits.
- Vestel air conditioners are energy class "A" graded and are equipped with features specially developed by Vestel R&D that have gained worldwide recognition.

Vestel Platinum air conditioners, the first DC inverter air conditioners designed in Turkey, consume 20-30% less electricity than A-class units because they automatically adjust air flow and compression speeds according to current temperature etc requirements.

Vestel Quatro air conditioners are equipped with 3D cooling/heating technology, which makes it possible to condition ambient air more homogenously than can be done with traditional air conditioners.

Vestel air conditioners are equipped with a wide range of features that improve ambient hygiene, feedback, and comfort. These include:

- NIG filters that use negative ion technology to eliminate cigarette smoke, odors, and pathogens;
- Internal components that resist bacterial accretion;
- User information systems such as filter cleaning warnings and spoken feedback for setting changes
- A "Smart-Eye" function, which detects when someone is in the room and adjusts performance accordingly;
- Perfume cartridges; a "Low-Drage" function that minimizes noise levels.

In 2009 Vestel introduced air conditioners equipped with controllable horizontal and vertical panes that allow air to be directed in whatever direction may be desired.



In 2010 Vestel White Goods will again be taking an innovative approach as it further enhances its air conditioner product line. Projects currently under development include:

- Split air conditioners equipped with solar energy support to make them even more efficient than energy class A;
- Air-to-water (ATW) heat pumps.



Platinum A Inverter Air Conditioner

- Uses up to 75% less electricity than normal electrical heating systems.
- Continues to operate even at outdoor temperatures as low as -15 °C
- Triple anti-allergenic, anti-bacterial, and anti-organism filtration system
- Deodorizing filtration system
- Environment-friendly refrigerant helps protect nature
- Sleep mode, automatic mode, and restart features
- LCD remote control unit



Developments in Sales and Marketing

Vestel White Goods' international sales are handled by Vestel Foreign Trade and its domestic sales are conducted by Vestel Durable Consumer Goods Marketing.

Effective communication keeps Vestel close to its customers at all times.

The Vestel “Friendly Technology” pledge

The effective communication and marketing strategies deployed by Vestel have helped make it one of the ten most recognized brands in Turkey for a decade. According to Nielsen's 2009 survey, Vestel ranked in seventh place among the trademarks that first come to consumers' minds.

Celebrating its 25th year in business in 2009, the Vestel Group devised a message that it would employ in all markets in order to achieve brand-based uniformity in its communication activities. That message is embodied in the phrase “Friendly Technology”. This approach puts emphasis on Vestel's closeness to its customers while also conveying the message that the Company has a good understanding of their needs and preferences and creates products that blend design, functionality, and technology. It also represents an important step forward in the direction of branding in target markets.

Vestel Foreign Trade

- Exports goods to 127 countries around the world
- Distributes goods to 10 European countries.





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 are Vestel Foreign Trade's most valuable competitive advantages in international markets.

Developments in Sales and Marketing

A first in Turkey: 3-month return guarantee

In line with the same approach, Vestel launched the first “three-month guaranteed return” campaign in Turkey while also signaling that as a company it would be taking a new approach to high levels of customer satisfaction in the period ahead.

Under this first campaign aimed at sending “commitment to Friendly Technology” message to consumers, a three-month guaranteed right-of-return return was offered on all Vestel-made brown and white goods with the aim of putting “a Vestel in every home”. This guarantee, which applied to all Vestel products until the end of 2009, was unusual inasmuch as it was the first of its kind in Turkey in terms of both scope and length. Sending a clear message of the confidence that Vestel has in the quality of its products, the campaign was so successful among consumers that it was extended for another three months. The campaign had an extremely beneficial impact on the Company's sales.

By the time that the campaign ended in March, product return rates were still extremely low. In fact nearly all the returns were by consumers who wanted to exchange their purchases for more advanced models.

Vestel White Goods has Turkey's strongest and most extensive distribution and service network.

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

Vestel Marketing;

- 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 Geographical Information System (GIS) technology.
- Provides live product training online to all dealers and their personnel around the country via satellite services supplied by Vestel Group company Dexar.
- Deploys a Manugistics system to achieve a 90% level of productivity in its resource planning, logistics, and supply chain management.

During 2009 Vestel continued to increase the number of its “concept stores”, which are based on a multi-brand sales model that includes Vestel products. As of year-end, the number of such stores stood at 215, of which 195 were in Turkey and 20 were in other countries.

Another Vestel first in consumer electronics and home appliances

Achieving yet another of its firsts with the addition of a new delivery channel to its existing lineup, Vestel, has recently completed a year-long project to make sales over the internet.

Combining the strengths arising from its own distribution channel through 1,050 exclusive stores, this represents an important step forward for Vestel. Products sold via the web qualify for an extended six-year warranty period, which is twice the length of the normal three-year one.



In Turkey, Vestel Marketing serves customers through:

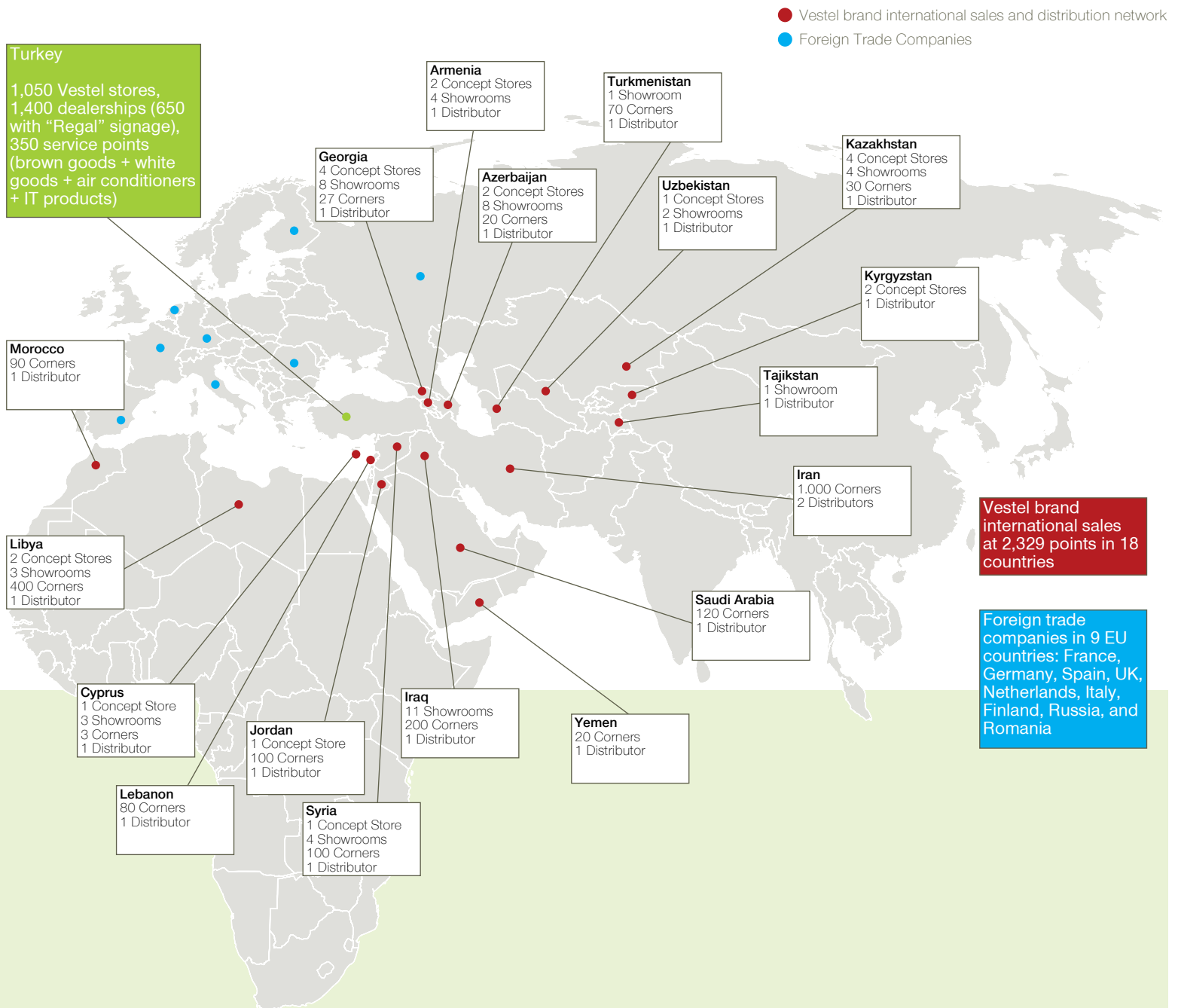
- 1,050 Vestel stores
- 1,400 dealerships (650 with “Regal” signage)
- 350 service points (brown goods + white goods + air conditioners + IT products)

Selling the Vestel Brand Internationally

In keeping with its goal of entering new markets outside Turkey with the Vestel brand, a new sales and after-sales services structure has been set up in the following markets:

- Russia and CIS countries (Georgia, Azerbaijan, Armenia, Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan)
- Middle East (Syria, Iraq, Iran, Lebanon, Jordan, Saudi Arabia, United Arab Emirates, Yemen, Oman, other Gulf countries)
- South Asia
- North Africa (Libya)
- Cyprus

In a relatively short time a rather extensive distribution network has been created consisting not only of Vestel concept stores but also of distributor-run wholesale channels and other-premise "corners" that sell Vestel products.



Distinguishing itself through its R&D, Vestel White Goods responds to the needs and expectations of consumers around the world.

R&D is one of Vestel White Goods' competitive advantages and most distinguishing attributes.

Designs which capture the needs and tastes of international consumers, are integrated with each other through Vestel R&D, and are transformed into products by means of Vestel's leading-edge technologies reveal the talents and strengths of Vestel White Goods' R&D team in the most effective way possible.

Vestel White Goods R&D teams are continuously investigating and engaged in activities related to:

- Developing and implementing new technologies
- Designing new products
- Producing environment-friendly products

- Product development
- Increasing productivity and lowering costs.

Enhanced R&D effectiveness

Vestel White Goods' R&D activities are structured on the basis of product categories. In addition to individual R&D units at factories, the Company's Technology Development Center is responsible for carrying out industrial design and innovation activities that apply to all products.

The aims of Vestel's R&D units and of the Technology Development Center are to contribute towards increasing Vestel's competitive advantages in international markets and towards improving customer satisfaction by further improving Vestel's products.

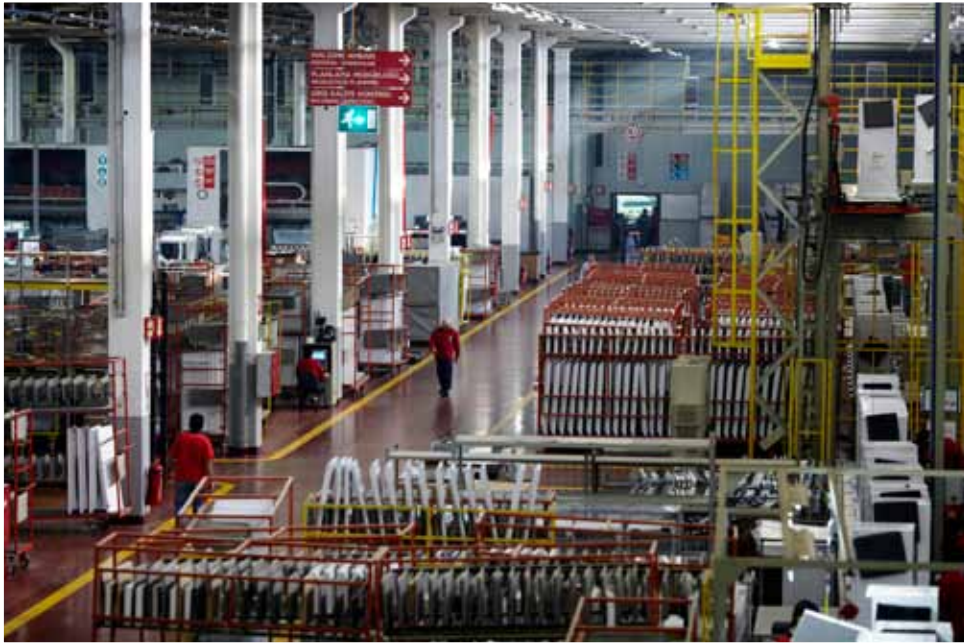
Vestel R&D units and the Vestel Technology Development Center:

- Closely monitor technical, academic, and industrial developments related to white goods and keep abreast of sectoral innovations and trends.

- Engage in basic laboratory research looking for results that can be adapted to products as innovative features.
- Keep a close watch on customers' needs and wishes through customer visits and by attending fairs and exhibitions. Design new products and modify existing ones accordingly.
- Design products incorporating enhanced functions and features and improved production parameters.
- Carry out trial production so as to obtain pre-manufacturing qualification for newly designed or improved products.

Superior design and product customization features

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



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

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In the Design Turkey competition conducted by the Professional Association of Industrial Designers, Vestel White Goods received two awards in 2008. In the IF Design Forum and Red Dot Product Design Award competitions held in Germany in 2010, the Company increased the number of its design awards to six with the addition of four in the "Product Design" category that were granted for its Aramides and Lissotis washing machines.

Products that are mindful of both the present and the future

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

In addition to such issues as making use of recyclable materials, less energy, and less water and of discharging less in the way of chemical effluents into the environment, R&D activities also concentrate on technologies which make product user interfaces more ergonomic and which allow products to automatically detect what parameters should be used.

Vestel White Goods supplies its customers with state-of-the-art technology products in the form of A++ energy efficiency class refrigerators, air conditioners incorporating inverter technology, washing machines incorporating TwinJet® technology, superior heat-retaining ovens and water heaters, and dishwashers incorporating Ecowash® technology.

Mindful of the economical use of resources like electricity and water and making use of recyclable materials in its production and manufacturing processes while offering products whose low noise levels and ergonomic features make life more enjoyable, Vestel White Goods is determined to be among the world's leading brands as a environmentally-respectful manufacturer in the future as well.



Mindful of the economical use of resources like electricity and water and making use of recyclable materials in its production and manufacturing processes, Vestel White Goods offers products whose low noise levels and ergonomic features make life more enjoyable.

Our employees: The architects of our success

The fundamental objective of Vestel White Goods' human resources policy is to ensure the continued existence of a human resources structure of qualified and productive people who are compatible with the Company's own dynamism.

Recognizing that productivity and quality in production will rise in parallel with suitable and good working conditions, Vestel White Goods shapes all of its human resources policies and practices with this approach.

Vestel Human Resources Policy

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

One aim is to make the Vestel Group an employer that people prefer to work for. Within the framework of this basic principle, attention is given to achieving and maintaining justice and equality among employees and to encouraging and making good use of success and superior performance while always balancing the expectations of employees on the one hand and of the Company on the other.

The underlying expectation is that every employee is responsible for his job and every manager is responsible for his workplace.

A basic principle is to make use of the Group's own human resources when meeting requirements.

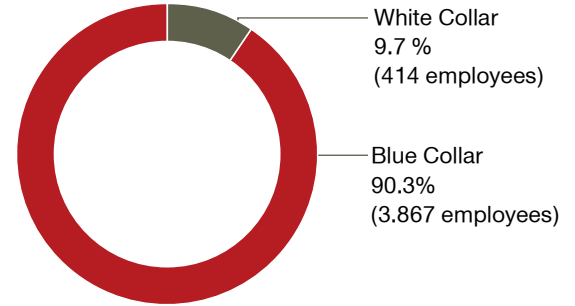
Innovations in human resources management are monitored, evaluated, and applied taking into account the differences arising from the sectors and companies that make up the Vestel Group.

Training in 2009

Vestel White Goods conducts a variety of training activities in order to support the personal and professional development of its employees. While ensuring equality of opportunity, the Company provides them with every chance to continuously develop themselves and progress in their careers.

During 2009, in-house training was provided to 379 people at Vestel White Goods. Average training time per person was 14 hours.

Employee Profile



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

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:

- Performance
- Safety
- Being worthy of customers' confidence
- Achieving customer satisfaction and customer loyalty.

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.

All of Vestel White Goods' products have been manufactured in compliance with the EU Restriction of Hazardous Substances (RoHS) Directive since June 2006.

The Company restricts use in its products of the six substances (lead, mercury, cadmium hexavalent chromium (chromium VI or Cr6+), polybrominated biphenyls (PBB), and polybrominated diphenyl ether (PBDE)) which are deemed by the directive to be dangerous to living things and the environment.

Because it is sensitive about the ability of people to live in a healthy environment, Vestel White Goods has assumed all of the costs involved in adhering to RoHS even though the directive has not yet gone into effect in Turkey, and has begun to supply RoHS-compliant products to the domestic market.

Vestel White Goods is also engaged in compliance activities concerning with the EU Waste of Electrical and Electronic (WEEE) Directive.

Under the WEEE Directive, every manufacturer is held responsible for the safe disposal/recycling of its own waste electrical and electronic equipment.

Vestel White Goods is working in coordination with government agencies to ready itself for the most effective implementation possible of the WEEE Directive in Turkey. Portable batteries, one of the categories of electronic waste from products put on the market, are collected by the Portable Battery Manufacturers and Importers Association (TAP) of which Vestel is a member. A designated quota of discarded packaging materials is collected and recycled by the Environmental Protection and Packaging Waste Recovery and Recycling Trust (ÇEVKO), of which the Company is also a member.

A manufacturer that protects the ozone layer

In line with its sense of global environmental responsibility and since the day it was founded, Vestel White Goods has adhered to a principle of avoiding the use of any

substances that might deplete the ozone layer or lead to global warming by increasing the greenhouse effect in its production processes and products.

In keeping with this approach, the Company makes use of gasses with low ozone depletion potential (ODP) and low global warming potential (GWP) in its refrigerator and air conditioner manufacturing.

More A+++ certified products

In addition to class A+ and class A products, work is now in progress at Vestel factories to introduce class A++ and A+++ products to the market so as to ensure that natural resources and electricity are used as efficiently as possible.

The primary focus of the intensive research and development activities carried out at Vestel White Goods is research into ways that will make it possible for products to use less in the way of resources such as electricity, water, detergent, gas, etc. A large part of the refrigerator product line incorporating environment-friendly refrigerants consists of A+ energy class products. Work on A++ energy class projects was completed and products with this rating were put on the market during 2009.

30% reduction in energy and water consumption in four years

Vestel White Goods engages in an ongoing effort to reduce energy and water consumption. The products that the Company makes today use about 30% less energy and water than did the ones that it made four years ago.

In line with its sense of global environmental responsibility and since the day it was founded, Vestel White Goods has adhered to a principle of avoiding the use of any substances that might deplete the ozone layer or lead to global warming by increasing the greenhouse effect in its production processes and products.

As a result of the Company’s environmental-awareness activities,

90% of its product line consists of A and A+ energy class products that use 25% less energy than do B class products.

Vestel Environment Unit

A special unit has been set up with the responsibility of conducting all environment-related activities at the Company.

Under the supervision of the Vestel Environment Unit: hazardous waste is stored as required by regulations and surrendered to licensed firms for recycling or destruction by licensed facilities; files are prepared as needed to apply for and obtain environment-related licenses from authorities (emissions licenses, EIA project description files, etc); ISO 14001 Environmental Management System activities are carried out at factories.

Work is also continuing on efficiency-based energy management activities. Vestel's fundamental principle is to lower raw material consumption, minimize waste production and develop recycling projects, and reduce the amount of electricity, natural gas, and water that must be used.

Using less electricity

The philosophy of making productive use of energy and natural resources is adhered to not just in the Company's products but in its production facilities as well. Continuous efforts are made to achieve greater energy efficiencies in such areas as compressed air, coolants, office and factory heating and cooling and to reduce electricity costs.

Energy efficiency is one of the components of the Company's on-the-job training programs. Because they are equipped with

new technologies, Vestel's factories they use less electricity and natural resources than plants that make use of old-fashioned technologies do. In this way, the effort to prevent global warming is supported while production is carried out at lower costs and products reach users at more economical prices.

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 is aware that its total quality attitudes and its positive approach to health and safety are fundamental to effective and productive management. For this reason, importance is given to understanding and managing the potential impact of workplace risks on employees, subcontractors, visitors, and others.

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

In keeping with these goals, Vestel White Goods:

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

Vestel White Goods is aware that its total quality attitudes and its positive approach to health and safety are fundamental to effective and productive management.



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

1- STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

In parallel with the activities related to Corporate Governance commenced in 2005 at Vestel White Goods Inc., corporate governance mechanisms were started to be run across the Company in line with the said principles. In the first phase of these activities, a series of amendments were made to the company's articles of incorporation so as to be able to offer an egalitarian, accountable, responsible and transparent structure to the shareholders. These amendments served to grant the rights, which are enforced by very few companies although envisaged by the Corporate Governance Principles, to minority shareholders, while radical changes were made to the management structure in pursuance of "better governance". Following the revisions made to the articles of incorporation, Corporate Governance practices were carried on with the establishment of Corporate Governance mechanisms at the Company. While the Board of Directors was vested in greater efficiency with independent members, it was aimed to further increase the efficacy in management by the committees set up under the Board of Directors. In addition, the Company's disclosure policy was spelled out and put into writing, and presented to the participants at the general meeting. A website has been developed so as to achieve maximum, simultaneous, accurate and complete public disclosure in line with Corporate Governance Principles. As a result of relevant practices, Vestel White Goods Inc. ranked 13th in Accountability Rating 2008 for Turkey which analyzes only publicly available data of Turkey's top 50 companies on the basis of revenues. The survey was carried out for the second time in our country as a joint effort of AccountAbility, a UK-based think-tank, and the Corporate Social Responsibility Institute.

Activities undertaken in 2009 with a view to further increasing the compliance of Vestel White Goods Inc. with the Corporate Governance Principles are summarized below:

- All deficiencies in the Investor Relations website have been resolved, thus bringing the site into full alignment with the CMB Corporate Governance Principles; in the same vein, all information that investors might need to access have been added to the website.
- From 01 January 2009, a "Follow-up" process has been introduced in Internal Audit reports in order to monitor the risks that were shared with the Board of Directors. During the process that was also approved by the Audit Committee, process owners were expected to follow-up the risks indicated on the basis of the 4T approach; i.e. "Terminate", "Tolerate", "Treat", and "Transfer", using one or more of these elements in combination. Risk management approaches adopted and implemented accordingly have been regularly shared with the Board of Directors at appropriate intervals using follow-up reports.

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

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

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi Corporate Governance Principles 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 is as follows:

Department Director: Figen Çevik
Address: Vestel Şirketler Grubu Zorlu Plaza 34310 Avcılar – İstanbul
Phone: (212) 422 01 07 (direct)
Email: yatirimci@vestel.com.tr

- The principal activities carried out by the Corporate Finance and Investor Relations Department and the conferences attended in 2009 on behalf of Vestel White Goods Inc. are summarized below:
- Nearly 30 one-on-one meetings were held with investors and analysts.
- During the reporting period about 90 questions were responded to by e-mail and about 120 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 2009, information requests on various topics were received from the shareholders and stakeholders. The breakdown of the content of these queries is presented below:
- 10% on share price
- 20% on various topics
- 70% on operational and financial performance.

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

- The company website was developed in early 2007 and for the purpose of maximizing the ability of shareholders to exercise their important right to obtain information, all of the information set out in relation to the website by the CMB's Corporate Governance Principles were posted on the website. The Investor Relations and Corporate Finance Unit is responsible for the updating and monitoring of the website.
- Vestel White Goods website and disclosure of material events have been the tools used in 2009 for the disclosure of developments that might have an impact on the shareholders' exercise of their rights.
- A request to have a special auditor appointed is not provided for in the Company's articles of incorporation. Due to the fact that this right is stipulated by Article 356 of the TCC in respect of the minority shareholders holding 10% stake in the capital, it was deemed unnecessary to make a separate provision for this. The Company received no requests for the appointment of a special auditor in the reporting period.

4- INFORMATION ABOUT GENERAL MEETINGS

- Vestel White Goods Inc. held its general meeting for 2008 at 11:00 AM on 27 May 2009 at the address of Zorlu Plaza, Avcılar-İstanbul.
- The invitation for the meeting covering the meeting date and agenda was, as required by law and the Company's articles of incorporation, published in the Turkish Trade Registry Gazette issue 7303 dated 04 May 2009 and on Milliyet and Dünya newspapers dated 04 May 2009, as well as on the corporate website at www.vestel.com.tr. In addition, shareholders (all of the Company's shares are issued in bearer certificates) that had previously entrusted one share to the Company were also notified of the meeting by registered mail within the legally prescribed time. To facilitate attendance to the general meeting, announcements were published in the two newspapers with highest circulation in Turkey. In addition, all relevant information regarding the general meeting including the announcement was posted on the corporate website.
- Apart from the shareholders, the stakeholders and media representatives did not attend the general meeting.
- Out of 190,000,000 shares corresponding to the Company's total capitalization of TL 190,000,000, 138,070,521 shares representing TL 138,070,521 in capital were present in person at the meeting. The General Meeting convened with an attendance ratio of 72.67%. No proxy votes were cast.

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

- Prior to the general meeting, the annual report, financial statements, and the articles of incorporation were made available for the inspection of shareholders at the Company's headquarters and at the head office of the Holding. All this information was also published on the corporate website together with the general meeting announcement and agenda.
- Shareholders were allowed to ask questions at the general meeting. All questions coming from shareholders were responded to in detail. Shareholders introduced no motions during the meeting.
- The Company's articles of incorporation contain no provisions requiring material decisions such as demergers or buying, selling, or leasing substantial amounts of assets and property to be taken at a general meeting. The reason for this is the fact that the nature of the business in which the Company is involved requires it to buy, sell, and lease quite frequently. Having to hold a general meeting every time such a transaction takes place is not deemed to be possible and so no such article has been included in the articles of incorporation. This practice is refrained from in order to ensure that deals are made quickly and to prevent opportunities from being missed.
- The minutes of the general meeting were made available for the examination of shareholders at the Company's own headquarters and at those of Vestel Holding. Additionally, all announcements, documents, and other materials related to general meetings are now accessible to shareholders and to all other stakeholders at the Company's website.

5- VOTING RIGHTS AND MINORITY RIGHTS

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

6- DIVIDEND DISTRIBUTION POLICY AND TIMING

- The Company's articles of incorporation provide no privileges concerning the distribution of profits. Each share of stock is entitled to an equal dividend.
- In accord with the decision passed at the Vestel White Goods Inc. Board of Directors meeting held on 02 May 2008 at the company headquarters, the Company decided to distribute dividends that are equal to minimum 25% of the distributable profit in cash or in the form of bonus shares to the shareholders, including 2007-year profits in line with the dividend policy set by the Company's Board of Directors. The amount of dividends to be distributed shall be proposed depending on national and global economic conditions and the Company's growth plan by the Board of Directors each year at the general meeting.
- During the Company's 2008 general meeting, the profit distribution proposal for 2008 covered in item 8 of the agenda was explained to the participants, which was unanimously approved at the general meeting, and the profit distribution was carried out within the legally prescribed period of time.

7- TRANSFER OF SHARES

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

PART II- PUBLIC DISCLOSURE AND TRANSPARENCY

8- COMPANY DISCLOSURE POLICY

- Vestel White Goods Inc.'s public disclosure policy has been formulated in line with CMB Corporate Governance Principles. The said policy was revised and approved by the Board of Directors during 2008. Revised Disclosure Policy was presented for the information of shareholders and participants at the 2007 Ordinary General Meeting held on 28 May 2008. The disclosure policy has also been publicly disclosed on the corporate website.

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

- The clarity, timeliness, and truthfulness of public disclosures.
- The frequency and the ways in which information may be publicly disclosed.
- Contents of the meetings to be held with, and disclosures to be made to, investors

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- Content of the disclosure on general meetings
- Disclosure of material events
- Disclosures to be made to the media and press
- 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 7 material event disclosures were made in 2009 pursuant to CMB regulations. No additional information was requested by the ISE concerning disclosures.
- Vestel White Goods Inc.'s shares are not quoted on any overseas stock exchange.
- No delays occurred in any material event disclosures made to date, and all such disclosures were made in time.
- The Investor Relations Unit is responsible for making material event disclosures.

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 (TL)	NUMBER OF SHARES
Vestel Electronics Inc.	68.526312	130,199,992.0	130,199,992.0
Ahmet Nazif Zorlu	0.000001	1.0	1.0
Olgun Zorlu	0.000001	1.0	1.0
Şule Zorlu	0.000001	1.0	1.0
Ömer Yüngül	0.000001	1.0	1.0
Bekir Cem Köksal	0.000001	1.0	1.0
Enis Turan Erdoğan	0.000001	1.0	1.0
Ekrem Pakdemirli	0.000001	1.0	1.0
Recep Yılmaz Argüden	0.000001	1.0	1.0
Quoted on the ISE	31.473684*	59,800,000.0	59,800,000.0
TOTAL	100.000000%	190,000,000.0	190,000,000.0

- Vestel Electronics holds a stake of 4.1%.
- 74.69% stake in Vestel Electronics Inc., the company's principal shareholder, is owned by Collar Holding BV, which is wholly-owned by Ahmet Nazif Zorlu.

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

- Vestel White Goods Inc. achieved compliance with the Capital Markets Law and applicable legislation with respect to insider trading, and also formulated an insider trading policy to be implemented across the Company.

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

PART III- STAKEHOLDERS

13- KEEPING STAKEHOLDERS INFORMED

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

14- STAKEHOLDER PARTICIPATION IN MANAGEMENT

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

15- HUMAN RESOURCES POLICY

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

The HR policy addresses the following matters:

- Criteria for hiring, promotion and dismissal are set down in writing. Details regarding hiring criteria are spelled out in the recruitment regulation, and those on promotion are in the promotion regulation. There are two types of promotion mechanisms at the company: vertical and horizontal.
- A new performance appraisal system has been introduced during the report period for the Vestel Group employees, which is based on individual performance but also relates to results obtained by the department and the Company, and which aims to contribute to the employees' individual and the organization's corporate development. By the revised version, measurement methods became more objective.
- Employees are kept informed periodically by Intranet and email systems. Each unit holds internal meetings at certain periods. These meetings are production meetings (every morning at the factories), every Monday (departmental meetings), happy hour gatherings (on Fridays), quality management meetings (bimonthly), budget meetings (monthly) and R&D new product meetings (monthly).
- Employees are offered comprehensive training programs. The training process is handled centrally for all Vestel Companies and the whole process is carried out on the intranet. The training programs are designed to provide them with the opportunity to move forward in their careers. The employees are given the chance to select training programs in line with their career planning and aspirations.
- Employees are provided with orientation programs. The program for each department and position is devised individually, and presents differences in terms of duration and content.

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- An employee satisfaction survey (expectation-findings survey) is administered in order to measure employee satisfaction level. The survey is carried out annually and its results are evaluated duly.
- The Company formulated performance criteria to enhance efficiency and measure the performances of employees. Due to the presence of different function groups in the Company, separate criteria have been identified and applied for each group. Performance criteria are developed in two different groups of criteria: subjective and objective. Reflection of performance measurement outcomes on compensation is also incorporated into this system.
- All employees are treated equally and without any discrimination whatsoever (on the basis of ethnicity, language, religion, race, gender, etc.) in all matters involving training, career development, promotion, etc.
- There were no complaints from employees concerning discrimination. Measures are taken to prevent any practices that might cause discrimination among employees and all employees are treated equally without any distinctions being made among them.

16- RELATIONS WITH CUSTOMERS AND SUPPLIERS

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

17- SOCIAL RESPONSIBILITY

- Within the scope of social responsibilities, Vestel White Goods Inc. joins the activities carried out by its parent company Vestel Electronics and Zorlu Holding. The Zorlu Group, which also covers Vestel Group of Companies, signed the United Nations Global Compact in 2007, an initiative that represents a major step taken towards leveraging the principles and values espoused ever since its foundation to global social responsibility platform.
- As a responsible corporate citizen, Vestel White Goods fulfills its liabilities concerning reducing the environmental impact arising from its activities, and introducing products that are compatible with the nature. Since June 2006, the Company adheres to the RoHS (Restriction of the Use of Certain Hazardous Substances) directive in the manufacturing of all of its products. Accordingly, the use of six heavy metals (lead, mercury, cadmium, chrome+6, PBB, PBDE) posing threat to living things and the environment has been limited in the products. Displaying its sensitivity to ensure that the Turkish people living in healthier environments, Vestel White Goods bore the costs resulting from this implementation and started supplying the domestic market with products that conform to the RoHS directive, before this regulation went into force in our country.
- Work in relation to WEEE (Waste of Electrical and Electronic Equipment directive) is in progress in parallel with RoHS efforts. According to this directive, each brand is responsible for the collection and recycling of the wastes of its own products. Our Company is carrying out the necessary preparations with a view to adhering to the WEEE directive in the most effective manner in coordination with the authorized governmental bodies.
- In accordance with its global environmental responsibility, our Company made it a principle ever since its foundation not to use in the products and production processes the chemicals that deplete the ozone layer or lead to global warming by creating greenhouse effect. In keeping with this philosophy, gases with very low ODP (ozone depletion potential) and GWP (global warming potential) levels are being used in the production of our refrigerators and air conditioners.
- With its environmental policy, Vestel White Goods targets an approach that maintains and enhances the quality of life of its employees and customers. Under the light of the environmental policy adopted, the Company pledges to:
 - take into account the environment factor when considering new products, projects and operations;
 - reduce the use of harmful materials in the product design and production processes, and investigate into less contaminant materials;
 - take on activities for waste reduction, reuse, recycling and recovery;
 - ensure savings in energy, water and natural resources by encouraging increased productivity and employment of new technology;
 - Use recycled packaging material whenever feasible;
 - organize activities that raise and promote environmental awareness;
 - comply with the environmental legislation and administrative regulations in force.
- The Company holds ISO 14001 Environmental Management System certification.

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

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Corporate Governance Principles Compliance Report

Vestel White Goods’ policy in relation to the environment, occupational health and safety is as follows:

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

PART IV- BOARD OF DIRECTORS

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

Name	Position	Age	Term of office		Educational Classification	Previous background Experience
Ahmet Nazif Zorlu	Chairman	65	1 year	Non-executive	Primary School	
Ekrem Pakdemirli	Vice Chairman	70	1 year	Independent	University	- Member of the Parliament - Deputy Prime Minister - Faculty member of Bilkent, Başkent and Ege Universities - Deputy Rector with Dokuz Eylül University
Olgun Zorlu	Board Member	44	1 year	Non-executive	University	Served successively in various Zorlu Group companies
Ömer Yüngül	Board Member	54	1 year	Executive	University	Vestel White Goods (General Manager)
Enis Turan Erdoğan	Board Member	54	1 year	Executive	University	Ekinciler Holding
Recep Yılmaz Argüden	Board Member	51	1 year	Independent	University	- Chief Consultant to the Prime Minister
Bekir Cem Köksal	Board Member	42	1 year	Executive	University	- Chairman of Erdemir Vestel Electronics Financial Affairs Officer

- Four of the board’s seven members are non-executive members and three are executive members.
- The chairman of the board and the chief executive officer are different individuals. The chairman of the board is Ahmet Nazif Zorlu and the chief executive officer of Vestel Group of Companies is Ömer Yüngül.
- 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.

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.

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

20-MISSION, VISION AND STRATEGIC GOALS OF THE COMPANY

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

Mission: To conquer the world with technology products

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

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

21- RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

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

22- AUTHORITIES AND RESPONSIBILITIES OF BOARD MEMBERS AND EXECUTIVES

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

23- PRINCIPLES OF ACTIVITY OF THE BOARD OF DIRECTORS

- In principle, agendas for board meetings are determined by the chairman and other members. However, requests coming from company management are taken into consideration in determining meeting agendas.
- As stipulated in article 10 of the articles of incorporation, the Board of Directors must meet at least once a month and when it is deemed necessary. The Board met a total of 25 times during 2009. The overall rate of attendance at these meetings was 88%. 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.

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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 3/4 of the attendants at the general meeting.
- No board member did any business with the Company in 2009, 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 Bekir Cem Köksal.
- The Audit Committee meets at least four times a year (once in each quarter) and this is stipulated in the articles of incorporation (Article 35). Accordingly, the Audit Committee met four times during 2009.
- The minutes and decisions of the Audit Committee are recorded and archived by the secretariat.

The committee carries out its activities in accordance with detailed working principles that have been written up. The activities of the Audit Committee in 2009 were as follows:

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

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

Corporate Governance and Appointments Committee:

- The Corporate Governance and Appointments Committee was set up by a Board of Directors resolution dated 23 March 2006 pursuant to the CMB Communiqué on Corporate Governance Principles. This committee is responsible for monitoring the Company's compliance with corporate governance principles and for making recommendations to the Board of Directors concerning company appointments.
- The Committee consists of 2 individuals selected from amongst the Board members. The head of the Corporate Governance Committee is Yılmaz Argüden, who has been elected from amongst non-executive members. The other member is Olgun Zorlu.
- The Corporate Governance and Appointments Committee is required to meet at least three times a year.
- The committee carries out its activities in accordance with detailed working principles that have been written up. The activities carried out by the Committee in 2009 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 2009, the members of the Vestel White Goods Board of Directors were being paid TL 60,000 (gross) a year in total, which is commensurate with precedents in the sector. The statutory auditors were being paid TL 2,640 a year each. The amounts for the year 2010 will be decided at the 2009 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 surety ship in their favor.

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

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

Title of Association	Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.
Center	Zorlu Plaza, Avcılar – İstanbul
Capital	TL 190,000,000
Field of Activity	Refrigerator, air-conditioner, laundry and cooking home instruments production.
Auditor(s) name, period in office, being partner or company's personnel	Şerif Arı – 1 Year Ahmet G. Hızarcı – 1 Year not partner nor personnel
Number of Board Meetings and Audit Commission meetings	4-10
Content of audit, audit dates and result	In the audits made on the legal books and documents of the company, it has been concluded that records are kept fairly and accurately in compliance with accounting rules and principles.
Number and results of counting's which has been performed on association's cashier desk in accordance with Turkish Trade Law's 353rd article's 1st anecdote's 3rd definition	Cashier's desk counting was made four times and it was resolved that stocks are in compliance with the records.
Audit dates and results that has been performed in accordance with Turkish Trade Law's 353rd article's 1st anecdote's 4th definition	There are no securities delivered by mortgage or guarantee or bailment to company according to the monthly audits
Complaints or frauds perceived, and legal proceedings	There are no complaints or frauds perceived.

We have audited the accounts and transactions of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. at the period of 01.01.2009-31.12.2009 in accordance with Turkish Trade Law, association's primary agreement, other regulations and general accounting principles.

In our opinion, the financial statements present fairly, in all material respects, the financial position of association as of 31 December 2009 and the dividend distribution proposal is in accordance with general laws and association's primary agreement. We present approval of the Balance Sheet and The Income Statement and acquittance of Board of Directors.



Şerif ARI
Auditor



Ahmet G. HIZARCI
Auditor

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

RESOLUTION DATE : 10.05.2010

RESOLUTION NO : 2010/14

PARTICIPANTS : Ahmet Nazif ZORLU
Ekrem PAKDEMİRLİ
Olgun ZORLU
Ömer YÜNGÜL
Enis Turan ERDOĞAN
Recep Yılmaz ARGÜDEN

MEETING AGENDA : : approval of the 2009 annual report

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

The Board of Directors who convened for the meeting decided unanimously to accept the 2009 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



Olgun ZORLU
Board Member



Ömer YÜNGÜL
Board Member



Enis Turan ERDOĞAN
Board Member



Recep Yılmaz ARGÜDEN
Board Member

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

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

We have audited the accompanying statement of financial position of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. (the “Company”) as at 31 December 2009, and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management’s responsibility for the financial statements

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

Auditor’s responsibility

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

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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



Aykut Halit
Partner

İstanbul, 05.03.2010

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Statements of Financial Position at 31 December 2009 and 2008

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

Assets	Note	2009	2008
Current assets			
Cash and cash equivalents	5	112.041	119.628
Financial assets held for trading	6	14.040	–
Trade receivables	7	347.320	229.399
Inventories	8	131.131	141.099
Other assets	9	16.526	21.294
Total current assets		621.058	511.420
Non-current assets			
Trade receivables		120	163
Property, plant and equipment	10	292.925	326.818
Intangible assets	11	14.388	11.172
Other assets		–	4
Deferred tax asset	16	3.059	2.769
Total non-current assets		310.492	340.926
Total assets		931.550	852.346

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Statements of Financial Position at 31 December 2009 and 2008

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

Liabilities and equity	Note	2009	2008
Current liabilities			
Borrowings	12	67.400	25.269
Trade payables	13	195.797	259.547
Taxation on income	16	4.621	–
Provision for expenses	14	5.595	5.172
Other liabilities	15	5.410	4.374
Total current liabilities		278.823	294.362
Non-current liabilities			
Borrowings	12	42.932	56.199
Trade payables		–	1.351
Employee termination benefits	17	4.150	3.521
Deferred tax liability	16	11.771	13.958
Total non-current liabilities		58.853	75.029
Equity			
Share capital	18	205.720	205.720
Share premium		109.031	109.031
General reserves		279.123	168.204
Total equity		593.874	482.955
Commitments and contingencies	19	–	–
Total liabilities and equity		931.550	852.346

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Statements of Comprehensive Income for the Years Ended 31 December 2009 and 2008

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

	Note	2009	2008
Revenue	20	1.297.296	1.259.402
Cost of sales	21	(1.075.335)	(1.137.094)
Gross profit		221.961	122.308
Research and development expenses		(10.039)	(7.777)
Selling expenses		(28.989)	(26.659)
General and administrative expenses		(15.612)	(14.939)
Other income	23	8.190	7.114
Other expense	23	(7.446)	(4.247)
Operating profit		168.065	75.800
Financing income	24	117.012	81.855
Financing expense	24	(143.161)	(117.683)
Profit before taxation		141.916	39.972
Taxation on income	16	(25.199)	(9.975)
Net profit for the year		116.717	29.997
Comprehensive income (expense)		–	–
Total comprehensive income (expense) for the year		116.717	29.997
Basic and fully diluted earnings per share (TL, full)		0,61	0,16

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Statements of Changes in Equity for the Years Ended 31 December 2009 and 2008

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

	Share capital	Share premium	General reserves	Total equity
Balance at 01 January 2008	205.720	109.031	189.708	504.459
Dividends paid	–	–	(51.501)	(51.501)
Transactions with owners	–	–	(51.501)	(51.501)
Net profit for the year	–	–	29.997	29.997
Other comprehensive income	–	–	–	–
Balance at 31 December 2008	205.720	109.031	168.204	482.955
Dividends paid	–	–	(5.798)	(5.798)
Transactions with owners	–	–	(5.798)	(5.798)
Net profit for the year	–	–	116.717	116.717
Other comprehensive income	–	–	–	–
Balance at 31 December 2009	205.720	109.031	279.123	593.874

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Statements of Cash Flows for the Years Ended 31 December 2009 and 2008

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

	Note	2009	2008
Profit before taxation		141.916	39.972
Adjustment to reconcile net income to net cash provided from operating activities:			
Depreciation expense	10	48.601	45.755
Amortization charge	11	5.742	4.312
Provision for employee termination benefits	17	3.309	3.696
Provision for diminution in value of inventories	8	(2.636)	3.269
Unearned interest on receivables		2.529	(310)
Unearned interest on payables		(632)	1.041
Interest income	24	(5.348)	(3.112)
Interest expense	24	15.931	6.677
Accrued fair value gain on forward income		–	(3.763)
Provision for expense accruals		423	–
Profit on sale of property, plant and equipment		(125)	(3)
Loss on sale of property, plant and equipment		–	494
Operating profit before changes in working capital		209.710	98.028
Trade receivables		(120.407)	4.210
Inventories		12.604	9.379
Other assets		4.772	232
Trade payables		(64.469)	52.150
Other liabilities		(1.645)	(5.779)
Taxes paid		(23.054)	(8.997)
Net cash provided by operating activities		17.511	149.223
Cash flows from investing activities			
Purchases of property, plant and equipment	10	(14.873)	(35.363)
Purchases of intangible assets	11	(10.009)	(9.279)
Changes in financial assets held for trading	(14.040)	–	
Proceeds from sale of property, plant and equipment		1.341	256
Net cash used in investing activities		(37.581)	(44.386)
Cash flows from financing activities			
Proceeds from borrowings		293.750	20.420
Repayment of borrowings		(266.822)	(25.146)
Dividend paid		(5.798)	(51.501)
Interest received		5.348	3.112
Interest paid		(13.995)	(6.449)
Net cash provided by (used in) financing activities		12.483	(59.564)
Net increase (decrease) in cash and cash equivalents		(7.587)	45.273
Cash and cash equivalents at beginning of year		119.628	74.355
Cash and cash equivalents at end of year		112.041	119.628

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2009

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

1. ORGANIZATION AND NATURE OF ACTIVITIES

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

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

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

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

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1. Basis of preparation

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

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

2.2 Measurement currency, reporting currency

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

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

2.3 Comparable financial information and reclassification of prior period financial statements

The balance sheets with the accompanying notes as of 31.12.2009 and 2008 and statement of income, cash flow and changes in equity with the accompanying notes for the twelve months period ended 31.12.2009 and 2008 are presented as comparatively.

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

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

a) Standards, amendments and interpretations effective in July 2009:

- IAS 27, (Amendments) "Consolidated and Separate Financial Statements"
- IAS 28, "Investments in Associates"
- IAS 31, "Interest in Joint Ventures" "Application of the Purchase Method"
- IAS 38, (Amendments) "Intangible Assets"
- IFRS 3, (Revised) "Business Combinations"
- IFRIC 17, "Distributions of Non-cash Assets to Owners"

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2009

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

b) Standards, amendments and interpretations effective in January 2010 but not early adopted by the Company:

- IAS 1, (Amendments) "Presentation of Financial Statements"
- IAS 24, "Related Party Disclosures"
- IFRS 2, (Amendments) "Share Based Payment"
- IFRS 5, (Amendments) "Non-Current Assets Held For Sale And Discontinued Operations"
- IFRS 9, "Financial Instruments: Classification and Measurement"

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

2.5 Critical accounting estimates, assumptions and judgments

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

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date and the significant judgments are set out below:

- When setting aside the provision for legal claims the probability of losing the related case and the results to expect to be suffered in the event that the legal counsel of the Company and management of the Company make their best estimates to calculate the provision required under note 14.

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

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

2.6 Offsetting

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Foreign currency translations and transactions

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2009

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

As of 31 December 2009 and 2008, the foreign exchange rates used by the Company are as follows:

	2009	2008
US Dollar	1,5057	1,5123
EUR	2,1603	2,1408

Property, plant and equipment depreciation

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

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

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

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

	Year
Land	Nil
Land improvements	8 – 25
Buildings	25 – 50
Leasehold improvements	5
Plant and machinery	5 – 20
Motor vehicles	5
Furniture and fittings	5 – 10

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

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

Intangible assets

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

Research and development costs

Research expenditure is recognized as an expense as incurred.

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2009

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

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

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

Other intangible assets

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

Impairment of assets

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

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

Borrowing costs

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

Bank borrowings

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

Provisions

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

Warranty provision

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

Contingent assets and contingent liabilities

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2009

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

Leases

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

Operating lease

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

Related parties

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

Government incentives and subsidies

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

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

Recognition and derecognition of financial instruments

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

Employee benefits

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

Revenue recognition

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

Financial assets held for trading

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

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

Trade receivables

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi
Notes to Financial Statements for the Year Ended 31 December 2009

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

Trade payables

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

Inventories

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

Income taxes

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

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

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

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

Earnings per share

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

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

Cash and cash equivalents

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

4. EARNING PER SHARE

	2009	2008
Shares outstanding at beginning of year	190.000.000	190.000.000
New shares issued	–	–
Shares outstanding at end of year	190.000.000	190.000.000
Net profit attributable to shareholders	116.717	29.997
Weighted average number of ordinary shares in issue	190.000.000	190.000.000
Basic and diluted earnings per share (TL, full)	0,61	0,16

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2009

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

5. CASH AND CASH EQUIVALENTS

Cash in hand	40	70
Cash at banks		
- Demand deposit	27.475	15.313
- Time deposit	84.526	104.245
	112.041	119.628

As of balance sheet dates, the maturity date of time deposit account was 05.01.2010 (31.12.2008: 05.01.2009) and the interest rate is given below:

- TL	6,8%	14,9%
- USD	1,5%	2,5%
- EUR	0,9%	3,7%

6. FINANCIAL ASSETS HELD FOR TRADING

Financial assets held for trading	14.040	–
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Financial assets held for trading was purchased on 16.04.2009.

As of 31.12.2009, valuation of bonds resulted a fair value loss which was accounted under financing expenses amounting to TL 1.044.

7. TRADE RECEIVABLES

	2009	2008
Current		
- Third parties	1.338	955
- Related parties, note 25	266.814	140.658
Notes receivable		
- Related parties, note 25	81.306	92.415
	349.458	234.028
Unearned interest on receivables (-)	(2.100)	(4.629)
Allowance for doubtful receivables (-)	(38)	–
	347.320	229.399

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2009

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

8. INVENTORIES

Raw materials	87.052	99.777
Work in process	4.559	5.725
Finished goods	41.551	40.294
Merchandise	256	35
Spares and supplies	119	310
	133.537	146.141
Provision for diminution in value (-)		
Raw materials	(1.656)	(4.582)
Finished goods	(750)	(460)
	131.131	141.099

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

Beginning balance	(5.042)	(1.773)
Charge for the year	2.636	(3.269)
Closing balance	(2.406)	(5.042)

9. OTHER ASSETS

	2009	2008
Prepaid expenses	1.627	1.533
VAT receivable	13.893	12.566
Due from personnel	66	45
Prepaid taxes	–	2.991
Other	940	4.159
	16.526	21.294

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi
Notes to Financial Statements for the Year Ended 31 December 2009

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

10. PROPERTY, PLANT AND EQUIPMENT

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2009

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

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

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

Leased assets included in the table above comprise plant and machinery amounting to TL 13.772 net of accumulated depreciation. (2008: TL 17.744).

As of 31.12.2009, property, plant and equipment were insured for TL 666.367 (2008: TL 548.777).

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2009

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11. INTANGIBLE ASSETS

	01.01.2009	Additions	Disposals	31.12.2009
Cost				
Rights	6.625	12	–	6.637
Development cost	19.759	9.656	(1.051)	28.364
Other intangible assets	1.294	341	–	1.635
	27.678	10.009	(1.051)	36.636
Accumulated amortization				
Rights	6.622	2	–	6.624
Development cost	9.025	5.461	–	14.486
Other intangible assets	859	279	–	1.138
	16.506	5.742	–	22.248
Net book value	11.172			14.388
	01.01.2008	Additions	Transfers	31.12.2008
Cost				
Rights	6.625	–	–	6.625
Development cost	10.762	8.997	–	19.759
Other intangible assets	1.012	282	–	1.294
	18.399	9.279	–	27.678
Accumulated amortization				
Rights	6.604	18	–	6.622
Development cost	5.003	4.022	–	9.025
Other intangible assets	587	272	–	859
	12.194	4.312	–	16.506
Net book value	6.205			11.172

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2009

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12. BORROWINGS

	2009	2008
Current		
Foreign currency bank loans	67.400	25.268
Finance lease liabilities, net	–	1
	67.400	25.269
Non-current		
Foreign currency bank loans	42.932	56.199

The Company obtained various loans from non-Turkish financial institutions with a maturity of 5 years in years between 2003-2007 for financing investments in production machinery and equipment. As of 31.12.2009, the Company's borrowings under these facilities included a short term payable of TL 20.346 (2008: TL 22.632) and long term payable of TL 36.410 (2008: TL 56.199). The principal amounts of these loans are repayable at six months intervals and the last repayment date is December 2015. The annual interest rate is between Euribor + 0,3% and 1%.

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

Due in one year	67.400	25.268
One to two years	21.652	19.510
Two to three years	8.203	14.907
Three to four years	4.941	8.196
Four to five years	4.790	4.999
Over five years	3.346	8.587
	110.332	81.467

13. TRADE PAYABLES

	2009	2008
Current accounts		
- Third parties	192.640	257.384
- Related parties, note 25	3.618	3.231
Other	–	25
	196.258	260.640
Unearned interest on payables (-)	(461)	(1.093)
	195.797	259.547

14. PROVISION FOR EXPENSES

Warranty provision	5.327	4.997
Expense accruals	268	175
	5.595	5.172

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2009

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

	Warranty expense	Expense accruals	Total
Beginning balance	4.997	175	5.172
Charge for the year	4.402	93	4.495
Disposals	(4.072)	–	(4.072)
Closing balance	5.327	268	5.595

15. OTHER LIABILITIES

Income tax and social security payables	3.793	2.694
Due to personnel	1.609	1.666
Other	8	14
	5.410	4.374

16. TAXATION ON INCOME

a. Current taxation

	2009	2008
Current	(27.676)	(8.997)
Deferred	2.477	(978)
Taxation on income	(25.199)	(9.975)

In Turkey, the corporation tax rate on the profits for the calendar year 2009 is 20% (2008: 20%). Taxable profits are calculated by modifying accounting income for certain exclusions and allowances for tax purposes from the profit disclosed in the statutory income. No other taxes are paid unless profits are distributed.

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

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

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

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2009

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

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

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

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

	2009	2008
Profit before tax	141.916	39.972
Income not subject to tax	(4.790)	(31)
Tax effect of permanent differences and valuation allowances, net	(7.010)	10.680
Research and development allowances	(6.649)	(4.259)
Disallowable expenses	2.526	3.513
Income subject to taxation	125.993	49.875
Tax calculated at a tax rate of 20% (2008: 20%)	25.199	9.975
Income tax expense	25.199	9.975

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

Corporation and income taxes	27.676	8.997
Prepaid taxes (-)	(23.055)	(8.997)
Corporation and income taxes payable	4.621	–
Deferred tax asset	(3.059)	(2.769)
Deferred tax liability	11.771	13.958
	13.333	11.189

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2009

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

b. Deferred taxation

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

	Cumulative temporary difference		Deferred tax	
	2009	2008	2009	2008
Deferred tax asset				
Warranty expense provision	5.327	4.997	1.065	999
Employee termination benefits	4.150	3.521	830	704
Unearned interest on receivables	2.100	69	420	14
Provision for diminution in value of inventories	2.406	5.041	481	1.008
Provision for financial assets held for trading	1.043	–	209	–
Other	268	220	54	44
			3.059	2.769
Deferred tax liability				
Temporary differences arising				
from restating non-monetary assets	58.033	64.915	11.607	12.983
Unearned interest on payables	462	1.114	92	223
Other	362	3.763	72	752
			11.771	13.958
			8.712	11.189

Deferred income taxes are calculated using a principal tax rate of 20% (2008:20%).

A reconciliation of the deferred tax expense is as follows:

	2009	2008
Opening balance	11.189	10.211
Deferred tax (income) charge	(2.477)	978
Closing balance	8.712	11.189

17. EMPLOYEE TERMINATION BENEFITS

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

The amount of indemnity is the equivalent of one month's salary for each year of service subject to a ceiling which is TL 2.365,16 as of 31 December 2009 (2008: TL 2.173,19) on historical cost basis).

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2009

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

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

	2009	2008
Discount rate	11,4%	12%
Average yields	4,8%	5%

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

Opening balance as of 1 January	3.521	3.150
Charge for the year	3.309	3.696
Disposals	(2.680)	(3.325)

Closing balance	4.150	3.521
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Number of personnel employed at the year end:	3.709	3.404
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18. SHARE CAPITAL

The authorized and paid-in capital of the Company was TL 190.000 consisting of 190.000.000 ordinary shares of par value TL 1 each at 31 December 2009 and 2008.

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

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

19. COMMITMENTS AND CONTINGENCIES

a) Contingent asset

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

	2009	2008
Letters of guarantee	1.321	2.797
Cheques and notes	8.684	5.597
Guarantees received from related companies	28.608	–
Guarantees received from third companies	15.057	–
Mortgages	–	1.000

- Vestel Elektronik has guarantee to Royal Bank of Scotland PLC in favor of Vestel White for derivatives obtained from ABN AMRO Bank.

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b) Contingent liabilities

	2009	2008
A. Behalf of incorporated body	6.312	9.244
D. Other contingent liabilities		
i. Behalf of shareholders	904.538	714.128
ii. Behalf of group companies	237.905	197.969
Total	1.148.755	921.341

- Due to the export and investment incentive certificates obtained for tax purposes, the Company has committed to realize exports amounting to USD 181.727 thousand (2008: USD 128.637 thousand) as of 31.12.2009.
- 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 31.12.2009, the amount of VAT is TL 29.415 (31.12.2008: TL 28.383).
- The Company has given payment guarantee to various suppliers in favor of Vestel CIS Ltd ve Vestel Trade Ltd.
- The Company is the guarantor in favor of Vestel Pazarlama and Vestel Elektronik Sanayi ve Ticaret A.Ş. for bank borrowings obtained from ABN AMRO Bank.
- The Company has guarantee to Royal Bank of Scotland PLC in favor of Vestel Germany GMBH, Vestel Pazarlama and Vestel Elektronik Sanayi ve Ticaret A.Ş. for derivatives obtained from ABN AMRO Bank.
- A lawsuit has been initiated against the Company by a company which is engaged in the production of household appliances for the invalidity of the patent certificate. The Company has initiated a counter lawsuit with a claim to cancel the patent certificate from the related registry and invalidity of the same. The lawsuit is still pending and at the stage of expert evaluation. The Company does not believe that this litigation will have a material adverse effect on the results of operation or financial condition of the Company.
- The value of executive proceeding consumer lawsuits TL 46 and the value of lawsuits which have been finalized in favor of the Company amounted TL 214.
- As of the balance sheet dates operational lease commitments are shown below:

	2009	2008
Less than one year	202	256
More than one year and less than four years	54	218
	256	474

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Notes to Financial Statements for the Year Ended 31 December 2009

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c) Derivatives

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

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

20. REVENUE

	2009	2008
Domestic sales	363.609	425.753
Overseas sales	934.047	834.122
Gross sales	1.297.656	1.259.875
Sales discounts (-)	(360)	(473)
	1.297.296	1.259.402

Gross sales per currency segment is given below:

TL	363.608	425.753
EUR	735.418	663.975
USD	198.630	170.147
	1.297.656	1.259.875

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Notes to Financial Statements for the Year Ended 31 December 2009

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21. COST OF SALES

	2009	2008
Cost		
Direct materials used	933.732	982.601
Direct labor	50.769	56.345
General overhead	46.732	50.402
Depreciation and amortization	43.103	46.713
Cost of goods produced	1.074.336	1.136.061
Changes in semi-finished goods		
Opening inventory	5.725	4.862
Closing inventory	(4.559)	(5.725)
Changes in finished goods		
Opening inventory	40.294	40.205
Closing inventory	(41.551)	(40.294)
Cost of goods sold	1.074.245	1.135.109
Purchased during the year	1.311	2.013
Opening merchandise inventory	35	7
Closing merchandise inventory	(256)	(35)
Cost of merchandise sold	1.090	1.985
Cost of sales	1.075.335	1.137.094

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

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22. NATURE OF EXPENSES

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

	2009	2008
Direct materials and merchandise expenses	939.598	985.395
Changes in semi-finished goods and finished goods	(91)	(952)
Employee and sub-contracted personnel cost	68.221	78.538
Depreciation and amortization	49.228	50.067
Energy expenses	10.714	11.289
Outsourcing expenses	2.141	3.578
Travelling expenses	1.049	767
Consulting expenses	3.308	2.685
Rent expenses	7.227	6.152
Sales commission expenses	15.891	11.775
Office expenses	3.051	2.239
Insurance expenses	3.739	6.613
Employee termination benefits	2.680	3.325
Taxes paid	1.582	1.720
Other	21.637	23.278
	1.129.975	1.186.469

23. OTHER INCOME AND EXPENSE

Profit on sale of property, plant and equipment	125	3
Grant income	3.881	2.929
Other	4.184	4.182
Other income	8.190	7.114
Idle capacity expenses	6.639	–
Provision for diminution in value of inventories	432	3.269
Loss on sale of property, plant and equipment	–	494
Other	375	484
Other expense	7.446	4.247

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

Idle capacity expenses is related to unused capacity and pre-operation expenses for the new cooker and refrigerator factories which commenced their operations in year 2009.

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24. FINANCING INCOME AND FINANCING EXPENSE

	2009	2008
Foreign exchange gain	95.464	62.342
Fair value gains on financial assets held for trading	492	–
Interest income from bank deposits	5.348	3.112
Interest income from term sales	10.103	4.599
Fair value gains on forward exchange contracts	463	3.763
Unearned interest on payables	5.142	8.039
Financing income	117.012	81.855
Foreign exchange loss	109.707	94.726
Bank loans interest expense	15.931	6.656
Interest expense from term purchases	532	222
Fair value losses on financial assets held for trading	1.808	–
Letters of credit expenses	7.063	6.665
Finance lease interest expense	–	21
Bank commission expenses	59	84
Unearned interest on receivables	3.234	8.730
Fair value losses on forward exchange contracts	4.510	–
Other	317	579
Financing expense	143.161	117.683

25. RELATED PARTY DISCLOSURE

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

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Notes to Financial Statements for the Year Ended 31 December 2009

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

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

Related party	Due from related parties	Due to related parties
2009		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	2.088	–
Vestel Holland B.V.	–	3.583
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	90.764	–
Vestel CIS Limited	9.182	–
Vestel Dış Ticaret A.Ş.	246.083	–
Other related parties	3	35
	348.120	3.618
2008		
Vestel Elektronik Sanayi ve Ticaret A.Ş.	–	2.974
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	97.798	–
Vestel CIS Limited	4.903	–
Vestel Dış Ticaret A.Ş.	129.875	–
Other related parties	497	257
	233.073	3.231

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

	Sales	Purchases	Financing income	Financing expense
2009				
Vestel Elektronik Sanayi ve Ticaret A.Ş.	14.734	6.488	9.569	862
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	243.081	5.737	4.313	19
Vestel Dış Ticaret A.Ş.	927.288	11.037	14.538	14.730
Other related parties	6.002	298	742	802
	1.191.105	23.560	29.162	16.413
2008				
Vestel Elektronik Sanayi ve Ticaret A.Ş.	14.302	7.536	6.128	186
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	299.128	1.490	31	15
Vestel Dış Ticaret A.Ş.	825.228	12.620	33.947	9.062
Other related parties	8.701	68	2	1
	1.147.359	21.714	40.108	9.264

As of the balance sheet dates, key personnel's salaries and other short term benefits are amounted to TL 2.042 (31.12.2008: TL 1.900).

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi Notes to Financial Statements for the Year Ended 31 December 2009

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26. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

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

Credit risk

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

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

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

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

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

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

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2009

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Aging of overdue trade receivables is given below:

	Trade receivables
2009	
Not more than 30 days	1
Within 1 month to 3 months	385
Within 3 months to 12 months	8.726
Over 12 months	38
	9.150
2008	
Not more than 30 days	33
Within 1 month to 3 months	13
Within 3 months to 12 months	7
	53

Interest rates risk

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

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

	2009	2008
Fixed interest rate financial instruments		
Financial assets-time deposits	84.526	104.245
Financial liabilities	6.522	–
Variable interest rate financial instruments		
Financial assets	–	–
Financial liabilities	103.811	81.468

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2009

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

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

2009 (%)	USD	EUR	TL
Assets			
Cash and cash equivalents	1,5	0,9	6,8
Trade receivables	0,6	0,7	7,3
Liabilities			
Borrowings	5,4	2,3	–
Trade payables	0,2	0,5	7,3
2008 (%)	USD	EUR	TL
Assets			
Cash and cash equivalents	2,5	3,7	14,9
Trade receivables	1,1	2,6	15,7
Liabilities			
Borrowings	–	4,3	–
Trade payables	1,2	2,7	15,9

All other variables are held constant, if the interest rate applied to the Company increase/decrease by 1 point as of 31.12.2009, net income will increase/ (decrease) by TL 304 (31.12.2008: TL 37)

Capital risk management

The Company's capital management objectives are:

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

By pricing products and services commensurately with the level of risk

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

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

The Company's overall financing is as follows:

	2009	2008
Total borrowings	110.332	81.468
Less: Cash and cash equivalents	(112.041)	(119.628)
Net debt	(1.709)	(38.160)
Total equity	593.874	482.955
Overall financing	592.165	444.795

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2009

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

Liquidity risk

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

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

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

	Book value	Total cash out flow	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years
2009						
Contractual maturities						
Borrowings	110.332	113.173	33.787	34.443	41.284	3.659
Expected maturities						
Trade payables	195.797	196.259	192.156	4.103	–	–
Other liabilities	11.005	11.005	5.410	5.595	–	–
	206.802	207.264	197.566	9.698	–	–
2008						
Contractual maturities						
Borrowings	81.467	81.467	4.839	20.429	47.612	8.587
Finance lease liabilities	1	1	–	1	–	–
	81.468	81.468	4.839	20.430	47.612	8.587
Derivative cash inflow	33.060	40.156	–	40.156	–	–
Derivative cash outflow	(33.060)	(36.394)	–	(36.394)	–	–
	–	3.762	–	3.762	–	–
Expected maturities						
Trade payables	260.899	260.899	120.056	139.492	1.351	–
Other liabilities	9.546	9.546	4.374	5.172	–	–
	270.445	270.445	124.430	144.664	1.351	–

Foreign currency risk

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

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2009

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

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

	USD ('000)	EUR ('000)	GBP ('000)	TL equivalent
2009				
Cash and cash equivalents	12.575	22.542	9	67.655
Trade receivables	15.227	107.554	–	255.275
Total foreign currency assets	27.802	130.096	9	322.930
Trade payables	53.289	31.114	–	147.451
Current borrowings	19.715	17.458	–	67.400
Non-current borrowings	–	19.873	–	42.932
Total foreign currency liabilities	73.004	68.445	–	257.783
Net foreign currency position	(45.202)	61.651	9	65.147
2008				
Cash and cash equivalents	51.969	14.685	3	110.036
Trade receivables	3.181	60.178	–	133.640
Total foreign currency assets	55.150	74.863	3	243.676
Current borrowings	1	11.803	–	25.269
Non-current borrowings	–	26.251	–	56.199
Trade payables	84.578	49.813	–	234.547
Total foreign currency liabilities	84.579	87.867	–	316.015
Net foreign currency position	(29.429)	(13.004)	3	(72.339)
Derivatives				
Assets	26.445	–	–	39.993
Liabilities	–	(17.000)	–	(36.394)
	(2.984)	(30.004)	3	(68.740)

Fair value of financial instruments

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

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi

Notes to Financial Statements for the Year Ended 31 December 2009

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

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

Financial assets

Monetary assets for which fair value approximates carrying value:

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

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

Financial liabilities

Monetary liabilities for which fair value approximates carrying value:

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

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

Vestel Beyaz Eşya Sanayi ve Ticaret Anonim Şirketi Investor Information

Ordinary General Meeting

In line with a resolution passed at a meeting of the Board of Directors of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş., the Company's ordinary general meeting for 2009 will be held on 26 May 2010 at 11:00 am at the address of Zorlu Plaza, Avcılar-İstanbul.

Independent Auditor

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

Financial Information and Company News

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

Investor Relations

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