

FITCH AFFIRMS TURKEY'S VESTEL AT 'B'; OUTLOOK STABLE

Fitch Ratings-Istanbul/ London-16 September 2009: Fitch Ratings has today affirmed Turkey-based Vestel Elektronik Sanayi ve Ticaret A.S.'s (Vestel) Long-term foreign and local currency Issuer Default Ratings (IDR) at 'B'. The Outlooks on both IDRs are Stable. Fitch has also affirmed the senior unsecured rating of Vestel Electronics Finance Ltd.'s guaranteed USD225m 8.75% notes due in 2012 at 'B'. The Recovery Rating on the notes is 'RR4'.

The ratings reflect the recent improvements in Vestel's financial profile, such as improved operating margins and reduced short foreign currency position. These improvements are counter-balanced by the company's slightly higher total leverage and Fitch's concerns over its ability to maintain its operating margins and liquidity profile at around the same levels as of end-H109. Vestel reported a 9% contraction in revenue to TRY1.9bn while increasing its EBITDA margin to 15% in H109 from 9% in H108 as it benefited from operating cost savings. The company reported TRY9.1m net profit (H108: TRY74.9m net loss).

The Stable Outlook reflects Fitch's assessment that Vestel should be able to maintain its leverage and coverage metrics at their respective FY08 levels based on Fitch's forecast operating profitability and leverage levels.

Vestel increased its net debt to TRY579m at end-H109 from TRY368m at FYE08. Out of total debt of TRY814.9m, TRY421.9m was due within 12 months, most of which was short-term trade finance bank credits. A major portion of the TRY393m long-term debt stock at end-H109 is Vestel's USD225m 2012 bond. The bond covenants stipulate that Vestel must remain under 4x consolidated gross debt/EBITDA and maintain over 2.25x fixed charge coverage. Vestel was in compliance with these covenants as of end-H109, although Fitch notes the limited headroom under both covenants.

Fitch notes the TRY160m (approximately USD100m) cash injection by the majority shareholder, Collar Holding, through a rights issue in April 2009. Vestel had a USD77m short foreign currency position at end-H109, which was significantly lower than the USD565.8m at end-2008. Fitch notes positively that Vestel has recently been using more hedging instruments to manage its foreign currency exposure.

Vestel is a manufacturer of television sets with TRY4.7bn consolidated sales and TRY428.1m EBITDA, including TRY1.3bn sales and TRY121m EBITDA in the white goods manufacturing business in FY08.

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