

Rating Action: **Moody's upgrades Vestel to B2; stable outlook**

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London, 22 June 2012 -- Moody's Investors Service has today upgraded to B2 from B3 the corporate family and probability of default ratings of Vestel Elektronik Sanayi ve Ticaret A.S. ("Vestel"). The outlook on the ratings is stable.

RATINGS RATIONALE

"The upgrade of Vestel's ratings to B2 follows its continued positive operating and financial performance since repayment of its USD225 million of notes at maturity in May 2012 at which time we had changed the outlook to positive," says Martin Kohlhase, a Moody's Vice President -- Senior Analyst and lead analyst Vestel. "This positive performance is evidenced by the fact that, despite negative consumer confidence, Vestel has increased its share of the EU market for LCD TVs -- which account for approximately half of its revenues -- reflecting that the company's products are competitively positioned as consumers have traded down to Vestel goods," explains Mr. Kohlhase. "The upgrade also reflects the expected improvement in Vestel's leverage and EBITDA interest coverage metrics following the company's repayment of the remaining USD86.4 million of its USD225 million bond in May 2012, using cash on hand."

Despite increasing revenues in 2011 (to TL7.0 billion (USD 4.2 billion) from TL5.3 billion (USD 3.5 billion) in 2010), Vestel's adjusted EBITDA decreased to TL245 million (USD 130 million) from TL314 million (USD 202 million) in 2010. This was a result of Vestel's net foreign exchange (FX) loss of approximately TL299 million over the course of 2011 following the depreciation of the Turkish lira against the US dollar (around 23%) and the euro (19%), the company's main trading currencies. Vestel's significant FX loss -- despite the company's active hedging since 2009 -- is a result of the increase in the company's inventories. Vestel does not hedge inventories (as the major portion is foreign currency denominated) and the increase is due to two major sports events in 2012 (i.e., the European Football Championship and the Olympics), as consumers tend to purchase new TVs shortly before such events.

Vestel's B2 rating also reflects (i) the company's short-term debt maturity profile and its dependence on rolling over these facilities, albeit with relationship banks; (ii) its lack of a long-term committed back-up facility, albeit this is rare in the Turkish market; (iii) potential further deterioration in the European economies (accounting for 65% of Vestel's revenues in 2011).

The stable outlook balances the challenges of managing its liquidity -- the conversion of growing inventories into cash in conjunction with a short-term debt maturity profile -- and the track record that Vestel has established in managing technological change and having pre-funded growth-related capacity that would not require any step-up in capex for the coming two to three years.

WHAT COULD CHANGE THE RATING UP/DOWN

For Moody's to consider upgrading Vestel's ratings to B1, the company would need to achieve adjusted debt/EBITDA (including letters of credit) that trends towards 4.0x and EBITDA interest coverage above 3.0x. Moody's could downgrade Vestel if the operating performance were to deteriorate, with adjusted debt/EBITDA above 6.0x and EBITDA interest coverage below 2.5x.

The principal methodology used in these ratings was Global Manufacturing Industry published in December 2010. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

Vestel Elektronik Sanayi Ve Ticaret A.S. ("Vestel") is a publicly listed Turkish manufacturing company. Vestel is one of the leading original design manufacturer (ODM)/original equipment manufacturer (OEM) of TVs, white goods and digital products both in Turkey and in Europe. Vestel has production facilities in Izmir, Turkey, and Vladimir, Russia. The company's revenues are mainly driven by its exports (77% of revenues in 2011) to Europe, the Commonwealth of Independent States (CIS), the Middle East and Africa.

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