

adding

life to technology
technology to life



Corporate Profile

Vestel brings technology and life together...

The Vestel Group of Companies (Vestel) is a strong player in Turkish and international markets in the consumer electronics, white goods, and digital products segments.

Vestel consists of 25 companies (12 of them based outside Turkey) that are active in manufacturing, sales and marketing, R&D, software, and satellite services.

Vestel's technology and design development competencies make it one of the world's premier original equipment (OEM) and original design manufacturers (ODM). Vestel is a distinguished and preferred manufacturer in Europe, its primary export market for CRT and LCD television sets, digital products and white goods..

Controlling the biggest stake in the majority of group companies and with the pioneering products that it has introduced to the market, Vestel Electronics is Vestel Group's flagship company. Vestel Electronics is one of the largest manufacturers of brown goods both in Turkey and in Europe, is the leader in CRT TV, while ranking 4th place in the LCD TV in European TV market . Vestel Electronics exported 84% of its total production in 2007.

A member of the Zorlu Group, Vestel leads the market with technology developed at 11 R&D centers located worldwide, in keeping with its byword of being the "Turkish of technology".

Having carried its success in consumer electronics to the white goods segment, Vestel appeals to consumers in 106 countries with a wide array of products which meet global quality standards.

Vestel boasts one of the most extensive sales and after-sales services networks in Turkey, consisting of 1,250 dealerships and 600 after-sales services outlets. Vestel deploys a multi-brand strategy and "concept store" approach to offer customers all over the country a broad array of products.

Vestel's production activities are carried out in Manisa in Turkey and at Alexandrov in Russia. The first TV plant, which operates in Manisa, and the high-end TV, PC and digital products plants in Vestel City make up the "hotspot" of Vestel's consumer electronics production activities in Turkey. Vestel City also contains plants that manufacture refrigerators, washing machines, cookers, air conditioning units and dishwashers. Vestel's Russian operations are handled by Vestel CIS, which manufactures refrigerator and washing machines from its facilities for the Russian, Ukrainian, Belarusian, Kazakhstan, and other CIS markets.

As the export leader in the durable consumer goods sector for 7 years on the basis of its share in Turkey's total exports, Vestel recorded net sales of USD 3.6 billion in 2007, with USD 2.6 billion of this amount comprising export sales.

Vestel Elektronik Sanayi ve Ticaret A.Ş. (Vestel Electronics Industry and Trade Inc.) shares have been trading on the İstanbul Stock Exchange's National Market under the symbol "VESTL" since 1990 and on the London Stock Exchange since 2000. After an initial public offering in 2006, some 31.5% of Vestel Beyaz Eşya A.Ş. (Vestel White Goods Inc.) shares also commenced trading on the ISE under the symbol "VESBE".

Financial Highlights

USD million	2007	2006
Net Sales	3,558	3,659
Exports/Sales	75%	77%
Operating Profit	-73	166
EBITDA	40	264
Net Earnings	11	1
Capital Expenditures	127	145
R&D Expenditures/Sales	1.5%	1.1%
Total Assets	3,724	3,400
Shareholders' Equity	1,154	941
Net Debt	129	237
Net Working Capital	177	202
Net Debt/Equity	11%	25%
Gross Profit Margin	11.4%	16.5%
EBITDA Margin	1.1%	7.2%
Net Profit Margin	0.3%	0.0%

Based on financial statements audited in accordance with IFRS.

Ratings

S&P	B/Negative
Fitch Ratings	BB-/Negative
Moody's	B2/Negative

Adding technology to life

Vestel presents high-tech products to its customers through a network of 1,200 stores located throughout Turkey and delivery operations in 10 countries outside Turkey. The Company is one of Turkey's leading exporters, with products shipped to more than 100 countries.

Vestel: 2007-2008 Review

Our passion for laptops continues.

Supported by a range of logistical advantages brought about by its location at the heart of the largest and most rapidly growing European and Middle Eastern consumption center, Vestel started producing laptops in 2006 at Vestel City, located in Manisa - a region outside the Far East - with the technological support of Intel, the biggest manufacturer of microprocessors in the world, and in cooperation with Microsoft. Vestel City is Europe's biggest industrial complex and the second biggest of the world, and also the first and only production center of laptops in Europe.

The plant, which has an annual production capacity of 500,000 units, is engaged in the design and production of motherboards, supported entirely by Turkish engineers. The fact that 80% of the world's total laptop computers are produced in Taiwan, such a long way from the European market, provides Vestel with an important advantage in this market. While products manufactured in the Far East are delivered to Europe at least three weeks after their production, this interval is reduced to several days for products manufactured by Vestel. Starting to work vigorously in 2007 with its product line equipped with technological features available for a variety of purposes, Vestel achieved a tenfold increase in its laptop exports.

Concentrating on high-tech products (laptops, LCD TVs, etc) with high added value in electronics, Vestel aims to become an important production center for Europe and the surrounding region in the laptop field.

Pixelence proves our leadership.

Vestel made a revolution in TVs in 2007 with its internationally-patented Pixelence technology, which brings image quality to perfection. Proving Vestel's capability in the software field as well as its already proven production power, Pixelence has moved Vestel one step forward in its sector. This technology, unique to Vestel in the world, was developed by Vestek, the R&D company of the Vestel Group of Companies.

The most important feature of Pixelence, which distinguishes it from other similar technologies, is that it is produced by means of patented algorithms belonging to Vestel uniquely. Pixelence, whose patent application was accepted by patent offices in Europe and the USA, already has 30 patents. Pixelence has all image enhancement algorithms including errors originating from compression and actions.

Thanks to the Pixelence image enhancement technology, Vestel's LCD TVs provide livelier, sharper, more detailed and more realistic images.

Strong, new entries in our brands portfolio

With its ability to reflect innovation in its design, technology, and production processes, Vestel remains the first preference of some of the world's biggest consumer electronics and white goods producers.

Vestel also continues its production activities under the Finlux and Luxor trademarks, two well-known brands in Scandinavia and Northern Europe, which it purchased the rights in 2006. Vestel started to be active in foreign markets with these products which draw attention with their lean designs. Having purchased the Graetz trademark as well, a well-known brand in countries dominated by the German school, Vestel has further strengthened its position in Europe.

Award winning projects

State-of-the-art LCD TVs manufactured in 2007 by Vestel as an OEM-ODM received an array of awards for their performance, technology, image quality and value for money following product tests held by respected publications in the UK, Germany, and France. Vestel's production and technological strength as well as its product quality have been once again gained recognition in international markets through such evaluations.

“Audio Video Foto”, Germany • The LCD TV model was found to offer the best price/performance ratio (December 2006) • The Plasma TV model was the test winner in terms of picture quality, colors and details. (January 2007)

“What Hi-Fi? Sound and Vision”, UK

- Perfect connection quality, detailed digital image quality, perfect colors, strong contrast in LCD TV model (supertest winner, September 2007) • The winner with its digital terrestrial receiver image quality, colors, design, price and easy-to-use feature (supertest winner, October 2007)

“The Sunday Times”, UK

- The LCD TV model was awarded 5 stars for its colors, details and contrast. (September 2007)

“Dossier Fnac”, France

- The best performance award for the LCD TV model (November 2007)

A good name of the sector in export

Vestel received the Export Success Award in the field of electrical-electronic devices at the 10th Foreign Trade Week in November 2007.

Another success for Vestel which will cement the Company's position in international markets, while adding value to it and its brand, was to become the first brand to have been accepted into Turquality, the first state-supported branding program in the field of durable goods. Through its admission to Turquality, Vestel has once again proven that it can compete with global brands in its sector and that it is Turkey's longstanding export leader.

This program, which raises awareness of the Vestel brand both abroad and in the domestic market, supports our targets of raising the Company's market share and growing its turnover to be generated from the sales of Vestel branded products in foreign markets.

Raising the performance in corporate governance practices

As a company with one of the highest percentages of public participation in Turkey, Vestel Electronics extensively fulfills its responsibilities towards its national and international corporate and private investors. ISS Corporate Services Inc (ISS), an international rating agency which was permitted to operate in Turkey to rate Turkish companies in compliance with the Corporate Governance Principles laid down by the Capital Markets Board (CMB), revised Vestel Electronics' corporate governance rating and raised it from 7.5 (75.91%) to 8.5 (82.57%).

The final rating of the Company was reached following the ISS evaluation, which is conducted under four main headings (“Shareholders”, “Public Disclosure & Transparency”, “Stakeholders”, “Board of Directors”) in line with CMB corporate governance principles.

In its evaluation, Vestel Electronics received its highest grades of 9 out of 10 in the category of “Stakeholders” and 8.5 out of 10 in the category of “Shareholders”.

Zorlu Group and Vestel Group

The story of the Zorlu Group dates back to its foundation in the early 1950s in a small textile atelier in the town of Babadağ in Denizli province. Growing and gaining strength in textiles by creating globally recognized brands, the Zorlu Group translated its success in textiles into the businesses of brown and white goods and digital products through Vestel and into the energy sector through Zorlu Energy. In 2006, the Zorlu Group made a bold and successful entry into real estate investment and development in order to tap the huge growth potential that it saw there and it undertook a number of investments in İstanbul as well as in İzmir and Marmaris.

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

With 30,000 employees and total assets worth TRY 11 billion and in keeping with its philosophy “If we're going to go, then go as far as we can. If we're going to ascend, then go as high as we can. If we're going to be, then be the best we can be”, the Zorlu Group continues to increase the visibility of the Zorlu name in the global arena as well as the confidence that is felt in it.

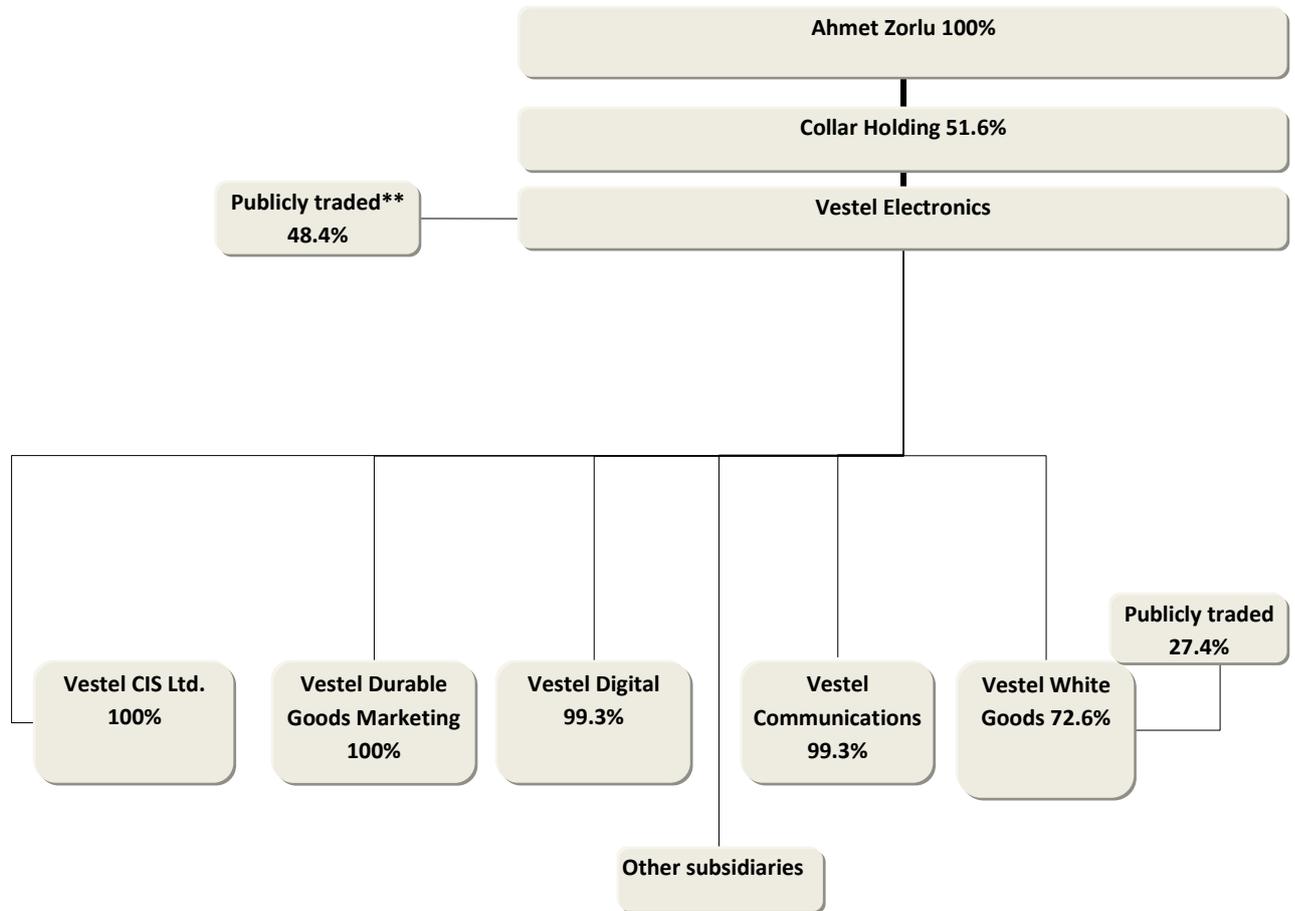
ZORLU GROUP

TEXTILE GROUP	VESTEL GROUP OF COMPANIES	ENERGY GROUP	PROPERTY GROUP
Korteks	Vestel Electronics	Zorlu Energy	Zorlu Construction&Investment
Zorluteks	Vestel White Goods	Zorlu O&M	Zorlu Property Development&Investment
Linens Marketing	Vestel Digital	Zorlu Industrial	Akmerkez (Passtel Shopping Center)
Zorlu Foreign Trade	Vestel Communications	Rotor	Intermar
	Vestel Foreign Trade	Zorlu Hydroelectric	
	Vestel Durable Goods Marketing	Zorlu Electricity	
	Vestel CIS	Zorlu Petrogas	
	Vestel Defense Industrials	Amity Oil International	
	AYESAŞ	Zorlu Zorlu Natural Gas	
	Birim	Thrace Region Natural Gas Distribution	
	Vestel Germany	Gaziantep Natural Gas Distribution	
	Vestel France	ICFS International LLC	
	Vestel Iberia	Rosmiks International B.V.	
	Vestel Italy SRL	Rosmiks LLC (Russia)	
	Vestel Holland BV	Zorlu Energy Pakistan	
	Vestel Benelux BV	Dorad Energy (Israel)	
	Vestel Trade	Ashdod Energy (Israel)	
	Vestel UK limited	Ramat Negev Energy (Israel)	
	Vestel Electronica SRL	Solbar Energy (Israel)	
	OY Vestel Scandinavia AB		
	UTS-United Technical Services, SPOL S.R.O.		
	Vestpro Electronics S.A.		
	Dexar Multimedia&Telecommunications		
	Vestel USA		
	CABOT Communications Ltd.		
	Vestel Electronic India		
Vestel Electronics Research&Development			
Deksarnet Telecommunications			
İzmir Technology Development			
Vestek			

Vestel Electronics

Controlling the biggest stake in the majority of group companies and with the pioneering consumer electronics that it has introduced to the market, Vestel Electronics is the flagship company of the Vestel Group. Vestel Electronics is one of the biggest brown goods manufacturers supplying OEM and ODM services to customers not just in Turkey but all over Europe. The Company is the leader in CRT TV, while ranking 4th place in the LCD TV in European TV market .

Vestel Group. Vestel Electronics is one of the biggest brown goods manufacturers supplying OEM and ODM services to customers not just in Turkey but all over Europe. The company exported goods worth a total of USD 2.8 billion to 108 countries around the world in 2006.



* Consisting of foreign trade companies

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Vestel's Strategies and Goals

Vestel's strategic goal is to achieve sustainable and controllable increases in revenues and profitability through its design, manufacturing, sales, and marketing activities in its principal business activities of consumer electronics, digital products, and white goods.

Vestel's strategy to achieve this goal is carried out under three separate headings.

Strengthen market share in the highly segmented European market while also creating new avenues of growth

In the already highly saturated European TV market, Vestel sees the process of changeover to high-end products (especially to flat-panel units) as a growth opportunity that it cannot afford to miss. Vestel seeks to take maximum advantage of its technological infrastructure and of its vast store of knowledge about the regulatory issues and consumer dynamics of the European TV market in order to increase its market share in "Category A" products.

At the same time, Vestel is determined to increase the competitive edge that it enjoys in the European market as the only manufacturer in the white goods segment capable of also providing OEM and ODM services as well while also capitalizing on its ability to develop know-how and exploiting the cost and logistical advantages arising from its geographical location.

Diversify products

Vestel seeks to take maximum advantage of its production strengths and economies of scale and to pursue growth in all business lines by diversifying its product gamut.

Expand geographical presence

While Vestel continues to sell its products in EU countries as an OEM/ODM, it also applies a strategy of gaining a presence in countries in Turkey's region with its own brand, introducing Vestel branded products to consumers in Turkey and in countries in the same or similar time zones as Turkey, such as Russia, CIS countries (Azerbaijan, Georgia, Armenia, Turkmenistan, Uzbekistan, Kyrgyzstan, and Kazakhstan), the Middle East (Syria, Iraq, Iran), North Africa (Morocco) and South Asian countries.

The Company concentrated on new regions in 2007 in terms of production as an OEM/ODM. Products were exported to South America, Argentina, India and other Asian countries for the first time in 2007. The Company aims to utilize the massive potential in these regions. Vestel exports to Australia, the Middle East and Eastern Europe and is expected to record considerable export growth going forward.

Vestel keeps a close watch on investment opportunities in line with this strategic objective and it also intends to enter other business lines which complement the Group's principal business activities.

The Sources of Vestel's Strength

The corporate strengths arising from infrastructure and technology as well as from an ability to produce and sell give Vestel a competitive edge under all market conditions.

Innovation

One of the world's premier OEM and ODM producers, Vestel combines R&D strength and technology and industrial design and development competencies with an innovative approach to achieve an important competitive edge in the European market.

With its high-profile trademark, Vestel believes that this attribute will also have an important leveraging effect in new products in its national market, particularly in the steadily growing white goods segment.

Product diversity

Vestel deploys a product diversification strategy to respond to the different needs of its customers in the EU countries that make up its primary market.

Already the world's most flexible manufacturer of consumer electronics, Vestel is now strengthening the same position in white goods as well. Vestel has the ability to tailor its mass production activities on an individual order basis. This ability is what enables Vestel to turn out more than 20 million units a year in its three principal business lines.

Cost advantages

- Vestel regards its logistics and distribution competencies as a key element of its ability to respond to its customers' orders for different numbers of units by means of a broad array of products. The physical proximity of the country to the European market gives it important logistical and cost advantages compared with its Far Eastern competitors.
- As one of the world's biggest makers of televisions and with a rapidly-growing production in white goods, Vestel is well positioned to take advantage of economies of scale and it also enjoys important advantages when procuring the components that are the prime determinants of cost in the manufacture of brown and white goods. Vestel today is one of the top three customers of the biggest suppliers of materials to consumer electronics manufacturers in the world.
- The customs union between Turkey and the EU is another natural competitive advantage that Vestel enjoys. The Company's ability to ship goods into EU countries duty-free further strengthens its position vis a vis Asian competition.
- Moreover, production facilities in Russia offer advantages due to the tax regime in Russia and other CIS countries, mainly Ukraine, Belarus and Kazakhstan.

Committed to customers

- Unlike its Far Eastern competitors, Vestel delivers seamless service that covers everything from original design and manufacture to point distribution. This ability is what makes it the preferred choice of customers.
- Having developed relationships with its main customers on a sound and long-term basis, Vestel does not compete directly with its customers' brands in Europe in electronics and it is adhering to the same strategy in the case of white goods as well.

Stages of Vestel's Development between 1994 and 2007

1994-1997

- Application engineering
- Market strategy based on a large number of models
- Focus on television sets

1997-2000

- Development engineering
- TV, white goods, and digital device production
- R&D

2000-2005

- Technology development
- Flat products
- Digital device software
- Gaining strength in the white goods sector
- Defense industry software
- Alternative energy sources

2006, 2007 and beyond

- Intensive R&D
- Pioneering for new technologies
- New product development
- Growth in LCD TV and white goods
- Image enhancement software
- 3C Convergence products

1994-1997: Application engineering and focus on a single product

During the first stage of its strategic development, Vestel focused on application engineering on the technological front while concentrating on television sets on the production side. The Company manufactured units for "B-brands" intended for the European market. As a result of a thorough understanding of the narrowly segmented nature of the market and by making televisions with different features at different periods in keeping with a market strategy based on a large number of models, the Company turned out about 1,000 different models of television sets.

1997-2000: Development engineering and product diversification

In the second stage of its strategic development, Vestel moved from application engineering to development engineering. In addition to white goods production digital device production was also added to the Vestel lineup during this period. Research and development activities gained importance during these years and the first Vestel R&D unit was set up in California's Silicon Valley. Keeping abreast of current worldwide developments in technology, Vestel began developing products and delivering them to market simultaneously with the world's giant manufacturers.

2000-2005: Technology development

The progress made in development engineering became the driving force that enabled Vestel to embark upon the stage of developing its own technology and transforming it into products.

With its ability to quickly make changes in its product line, Vestel entered the market with flat products of its own, becoming a leader now able to do more than just supply the European market with products simultaneously with the world's giants.

Insightfully analyzing technological developments in advance, Vestel purchased UK-based Cabot Communications Ltd in 2001.

In late 2003 Vestel opened its first production facility outside Turkey and began manufacturing and selling Vestel brand products in Russia. This move was the first step of the Group's strategy of setting up production bases in other countries.

Through the R&D unit set up at the Urla-based İzmir Institute of High Technology with the help of Cabot's İzmir office in 2004, Vestel accelerated its efforts to meet the demands of customers in domestic and international markets for advanced consumer electronics products.

Cabot today employs a team of 130 people in its Bristol and İzmir centers to produce all the software required for digital devices while also selling its output to the world's major home electronics makers.

Employing a business model incorporating flexible production, effective cost management, and extensive distribution combined with strong marketing similar to the one used so successfully for years in consumer electronics, Vestel quickly established itself and gained strength in the white goods sector as well.

At the same time that it was increasing its shares of domestic markets in brown and white goods, Vestel also accelerated its efforts to improve its sales and service network. The first examples of Vestel "concept stores" equipped with more floor space so as to be able to display a greater range of products and brands were opened.

In conjunction with its concept store project, Vestel also launched its “multi-brand strategy” in the domestic market paralleling trends being witnessed around the world. This strategy calls for selling not only Vestel-brand products but also those of other manufacturers as well as types of brown and white goods that are not currently being made by Vestel itself.

As an adjunct of its long-term strategies, Vestel undertakes risk capital investments in the areas of alternative energy sources, defense industries, and software. R&D work on hydrogen fuel cells was begun in 2005 and prototype production has been completed.

In late 2003, Vestel made its first venture into defense industries through newly-set up Vestel Defence Industries Inc. In 2005 Vestel acquired Aydın Yazılım ve Elektronik Sanayi A.Ş., a software and electronics company, in order to support its ventures into defense industries. Taking advantage of its R&D and engineering strengths, Vestel is now bidding on defense projects in Turkey and is also exporting software, particularly to customers in the US and Israel.

Paralleling its intention of entering other business lines that complement the Group's principal business activities, in 2006 Vestel acquired a stake in Birim Bilgi İşlem A.Ş., a company that produces software for the health services industry.

2006, 2007 and beyond: new product development, technological institutionalization, and penetrating global markets

Product life-cycles are shortening significantly as users' needs continue to change. Under market conditions driven by consumer demand, R&D activities have assumed crucial importance. Accordingly, Vestel attaches utmost importance to technological development and institutionalization on one hand, while simultaneously working to play a greater role in global markets on the other.

Vestel today stands as a group producing its own technology in 11 R&D centers and selling its own know-how. One of Vestel's key driving forces is its excellent R&D team of 1,100 engineers.

Already ranking 4th place in the European LCD TV market, Vestel is determined to further advance its position in that market as an OEM and ODM. Vestel is the leader in the domestic LCD TV market.

In early 2007 the dishwasher factory investment, which followed Vestel's forays into the white goods segment in recent years, entered production. Having completed its product portfolio with the addition of this plant, Vestel controlled a national market share ranging between 6% and 15% in the white goods segment at the end of 2007, and commanded a share of 38% of the refrigerators and 37% of the washing machines exported from Turkey.

Vestel continues to carry out its production and branding strategy in the geographical region it has targeted for expansion. In the wake of its successful initial ventures in Russia, the Group will pursue growth by selling Vestel branded products to customers in the developing markets of CIS countries (Azerbaijan, Georgia, Armenia, Turkmenistan, Uzbekistan, Kyrgyzstan, and Kazakhstan), the Middle East (Syria, Iraq, Iran), North Africa (Morocco), Cyprus and South Asian countries.

Vestel concentrated its R&D activities in the LCD field mainly on software projects for image enhancement. The first step in this field was taken in 2007, and LCD units with the Pixellence technology, the image enhancement software with 30 patents, were offered to the market. The extension of web-based TVs (IPTV, ITV, USB TV, etc.) will raise the importance of image perfection going forward.

Demonstrating its usual extensive foresight, Vestel started at an early stage to develop software for image enhancement. Studies in the field of image enhancement software will continue with the new technologies spawned by Pixellence.

In the immediate term, Vestel will place increasing emphasis on convergence products. Combining the advantages of its flexible production model in consumer electronics and its ability to produce embedded software for telecommunication applications with the strength in information technologies gained from manufacturing laptop computers, Vestel is moving decisively towards its targeted position in convergence products.

In parallel with the Group's intention to enter into other business lines which complement its principal business activities, Vestel entered a partnership with Birim Information Technologies Inc in 2006, the leading producer of software for the health services industry in Turkey, demonstrating the Group's prominence in this field. Also targeting a leading position in digital health applications, Vestel has shown considerable progress in 2007 in projects such as the paperless hospital and patient admission system, etc.

Vestel is a leading company in laying the ground for new global technologies and products in a variety of fields, such as unmanned aerial vehicles, fuel cells, solar energy systems, etc.

Adding life to technology

Vestel commands an annual production capacity of 33.8 million units. One of the fastest growing consumer product companies in the world, Vestel is also one of the few OEM/ODM companies in the world.

Chairman's Message

2007 has been a year in which expectations and uncertainties have left their mark on the global economy; the Turkish economy and our sector have been significantly affected by this situation. For Vestel, on the other hand, 2007 was a year in which the Company successfully tackled such changes head on and benefited from a number of developments which supported our Company. It was also a year of success in our activities as our long years of efforts and investment continued to bear fruit.

Strength in global competition is a precondition of being successful in today's world. We, as Vestel, test ourselves not only in Turkey but also in global competitive conditions, with the knowledge that strength merely within national boundaries will not suffice for a group like us, which grows and develops with each passing day. Since we embarked on our efforts to integrate the Turkish economy with the rest of the world, we have carried out a number of attempts without putting limits on our dreams. Moreover, the economic and political stability in the recent years allowed us to draw up middle and long-terms plans with a clear view to the future. This is invaluable for an industrialist.

Building our strength and prestige in the market with each passing day

Ranking 8th in the list of Turkey's 500 Largest Industrial Organizations for the last two years in a row, Vestel Electronics remains a source of pride. Maintaining its leading position in exports in the durable goods sector for seven years in a row, Vestel has been one of the three Turkish companies to have been admitted to the list of "100 Companies to most challenge gigantic western corporations", released by the leading US based Boston Consulting Group. Vestel's inclusion in the league of the world's giant firms is great source of pride for us and for our country.

The state-of-the-art products which we, at Vestel, have manufactured in 2007 for both the Turkish market and the European markets have received numerous awards for their performance, technology, image quality and value for money. The LCD and Plasma TV sets, which we have introduced to the European markets, have been recognized as among the best in the electronics sector in product tests conducted by highly respected publications in different countries, including the UK, Germany, and France. Vestel's production and technological strength in international markets as an OEM-ODM has been reaffirmed once again.

Vestel has also proven it is a successful corporation in further raising its respected brand and in prestige management: in the study entitled "Turkey's most admired companies", compiled annually by Capital, one of Turkey's most respected economy magazines, Vestel rose from the 5th place in 2006 to 4th position in 2007. Also, according to the results of the "Corporate Prestige Research" study carried out in 2007 by Nielsen for the Zorlu Holding, Vestel is one of Turkey's two "most liked and most prestigious brands".

Growing with Turkey with complete trust and conviction

The Turkish economy has recently entered an era where it is more open to development, innovation, and growth. In this new phase, we need to work hard to implement reforms in our social and economical structuring, aiming at harmonization with EU standards in each field. Provided structural reforms and strict fiscal policies are implemented in an environment of political stability, the private sector will continue to move forward and investment will continue, fuelled by full confidence in Turkey's future.

At all times we set our priority as contributing to the future of our country by working with unstinting determination and decisiveness. We always anticipate the importance of being a step forward of the

current conditions and evaluating events through a wide perspective in order to lead the competition, which we have carried now to a global level.

We have opened five facilities - a dishwasher production facility (which we recently added to our product line), an oven facility, an LCD-Plasma TV facility, a laptop computer facility and a second refrigerator facility, which was opened in early 2007 in Vestel City, a haven of technology.

With our new projects realized with astute timing, we are gradually cementing our position in global markets. The appropriateness of our strategy is seen in our implementations and their results:

- Backed by its tireless efforts, Vestel currently commands a large share of digital software and digital products markets in Europe, particularly in the UK, and has become one of the most competent players in these fields.
- Having successfully completed the changeover to LCD TV units, Vestel now exports 90% of its products to Europe.
- In the LCD field, Vestel has pioneered the production of “back light unit” (BLU) and modules (LCM), as the only module manufacturer in Turkey. BLU and LCM production is undertaken at two centers in Europe, one in Turkey and the other being in Poland.
- Vestel has opened Europe's only laptop facility, establishing our presence in this field as well.
- In the space of a decade, we have created a white goods production complex with an annual production capacity of 7.5 million units, which 88% of the sales directed to Europe. We set the ground for supplier industries at the Manisa Organized Industrial Zone. These factories supply goods to other companies both at home and abroad besides Vestel.
- We have also proven Vestel's leadership in the software field and introduced Pixellence technology to the global markets. LCD TV units, which use the patented Pixellence technology developed by Turkish engineers, have made a splash in global markets with their excellence in image quality.

Seizing the future with R&D

The key concept that will move Vestel further into future is its R&D advantage. Our generously funded R&D activities, supported by the impressive vision of our strong team, have yielded successful results.

Our success criterion in durable goods and electronics in the coming period is not merely to reach international standards, but to be a leading company in such fields. Our ultimate goal is to realize global projects which will shape the future by producing and implementing the technologies of the future.

We are ever preparing for the world of the future by combining our knowledge, experience, and design and production strength with our R&D activities in different fields. We carry out studies on alternative energy sources, such as boron, hydrogen, solar and wind energy. We also work on a variety of projects, such as fuel cells.

To win the day tomorrow

I would like to talk about one important development that took place in 2007. The Zorlu Group, of which Vestel is a member, signed the Global Compact, thus taking a strong step in carrying its principles and values which it has adopted since its foundation to a level of global social responsibility.

We believe our social mission is not limited to creating employment and added value, or paying tax. We are aware of our social responsibility, and that we must establish a relationship with society, and that the most effective way to do this is to give back some of what we earn to the society. With this

approach, we, as Vestel, follow universal ideals in each decision we take in order to leave future generations a more beautiful world.

At a time when focus has turned to global warming and its effects, we proceed in our activities with the awareness that environmental problems are among the most crucial issues calling for the contribution from corporations.

Vestel's implementations have been rated according to their compliance with corporate governance principles for the last 2 years. This evaluation produced higher grades than in the previous year with a highest grade of 9 out of 10 in the category of fulfilling our responsibilities to stakeholders. This grade also proves Vestel's commitment to act in accordance with the principles of transparency, honesty, and accountability at all times as a reflection of its corporate culture.

Vestel is one of the world's largest consumer electronics and white goods manufacturers and we believe with all our conviction that Vestel will carry this identity into the future. We have thus pooled our resources which are so vital for our corporate sustainability: corporate structure and human resources, R&D and technological superiority, infrastructure and flexible production ability.

We have achieved all our successes by working altogether, as a Vestel family, with discipline and conviction. We will demonstrate boundless effort and work hard at all times in the coming period to reach our ever increasing targets. I take this opportunity to extend my boundless thanks to every coworker who shares in this conviction while conveying my sincerest appreciation to our shareholders, whose support has always been with us, and to our business partners with which we have built these successes together.

Ahmet Zorlu
Chairman of the Board of Directors

Board of Directors

Ahmet Zorlu

Chairman

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

Prof Ekrem Pakdemirli

Board Member

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

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.

Mehmet Cem Bodur

Board Member

(1961 - İstanbul) Mehmet Cem Bodur graduated from İstanbul University (Department of Economics) in 1982. After working for nearly a decade in banking (1985-1994) he joined the Zorlu Group in 1996 as its chief financial officer. A member of the Executive Committee in 1999, Mr Bodur joined the Vestel Board of Directors in 2000.

Şule Zorlu

Board Member

(1976 - İstanbul) Şule Zorlu graduated from Fairleigh Dickinson University (Silberman College of Business) in 1999 and has held seats on the boards of directors of Zorlu Group companies since 2000. She is also the Managing Director of Zorlu Property Development&Investment.

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.

Yılmaz Argüden**Board Member**

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

CEO's Message

The year 2007 was a time when firm steps were taken towards reaching Vestel's long-term targets. Reflections of the fluctuations in the global economy and the impact of the overvalued Turkish Lira on costs were limited by Vestel's strong strategies and managerial abilities.

2007 was a difficult year for all large manufacturers throughout the world operating in the electronics and white goods sectors, including ourselves. Apart from the impact of the volatility in the financial markets, factors such as the increasing saturation in the markets, the faster than expected changeover to LCD TV sets and the rising trend in raw material prices throughout the world have all taken their toll on manufacturers operational and financial performance.

Despite all these challenges, Vestel has maintained its competitive advantages and continued to increase its sales and exports. Apart from our managerial abilities, our logistical advantages, by virtue of our proximity to the European markets, the advantage of our economies of scale in procurement and strong relations, our production flexibility, our superiority in digital technology and our unique position in Europe as an OEM-ODM in white goods production have all placed us one step ahead of the global competition.

Vestel notched up total turnover of USD 3.6 billion in 2007 and export sales of USD 2.6 billion. We lead the LCD TV sector in Turkey. We are the 3rd biggest manufacturer of white goods in Turkey, with our market shares ranging between 6% (for dishwashers) to 15% (for refrigerators).

Breakthrough in exports

Vestel has been the export leader in the durable goods sector for the last 7 years in a row, with exports exceeding EUR 10 billion and export sales to more than 100 countries over the last 5 years. Vestel has also contributed to the increase in Turkey's export potential.

Vestel works for the world's most prestigious brands as an OEM and ODM and most of its exports are sold in Europe as products of A-brand manufacturers. Avoiding direct competition with brands of OEM-ODM customers in the European market is an issue we attach special importance to. Our sales activities under the Vestel brand, on the other hand, still continue in countries in Turkey's immediate region, in line with our strategic decision.

Considerable progress was achieved in the Russian market in 2007. Total turnover in Russia-CIS doubled from USD 54 million in 2006 to USD 110 million in 2007. In addition, we have intensified our activities in new markets, especially Ukraine in the CIS, and Poland, Hungary, and Czech Republic in Eastern Europe. Vestel evaluated various market opportunities outside the Company's classic markets in Western Europe, to which the Company sells 80% of its exports. We started exporting LCD TV sets to India in 2007 for the first time. We believe India's massive potential will pave the way for the country to gradually emerge as an increasingly important market. We also exported LCD TVs and white goods to Argentina, and we plan to export our products to other South American countries as well. Pakistan, Bangladesh and Afghanistan are other target markets. Our sales to Northern Africa, home to other promising emerging markets, will continue to the region covering Morocco, Algeria, Tunisia, and Egypt.

Strengthening in the European market

As of end-2007, Vestel

- is by far the leader in the European CRT TV market and is the 4th largest player in the European LCD TV market
- commands a market share of 11% in Europe in the field of refrigerator which is the Company's primary product in the white goods segment.

The Finlux and Luxor brands, which we have added to our product line, have promoted our entry into new markets. Vestel purchased the Graetz trademark, a significant market share in Germany, in 2007 and maintains its investments and activities in this brand. The licensing franchise rights of the Telefunken trademark in Italy, Spain and Portugal in early 2008 form another implementation of our strategy to expand our market share.

One of our key assets: our delivery channel

Vestel managed to step ahead of its rivals in an environment which becomes ever more competitive due to the entry of international electronics corporations into the domestic market, by introducing a multi-brand strategy which it has been implementing since 2002, again based on its projections. The number of Vestel concept stores designed according to the new retailing approach has grown rapidly, with a total of 196 stores operating by the end of 2007, 189 of which were in Turkey and 7 located abroad. We have also gathered our 1,250 dealers and 600 service outlets, which form the two axes of our delivery channel, under the same management umbrella through new restructuring. Adopting the field management approach represents an important move focused on high customer satisfaction, distinguishing ourselves from our rivals.

Backed by our leading position

With its strong vision and projections, Vestel has identified its growth and the technologies which will develop, and has rapidly started implementing them.

Vestel has successfully completed 2 rooted changeovers in 2007: the changeover to flat TV production, and the changeover to digital products. In this transition period, we have demonstrated our ability to neutralize the impact of falling profit margins and the impact of competition from the Far East by developing digital technologies.

Our technological advantage which we have gained in parallel with our experience in digital software since 2000 has underpinned our success in the changeover to flat TV production and digital products.

Today Vestel:

- is able to manufacture TVs which are compatible with the changing digital broadcasting standards throughout Europe, taking firm steps forward backed by its competitive advantage, where 80% of LCD TVs it sells to Europe are digital (ID TV).
- enjoys undisputed domination in the production of digital boxes at a variety of standards, enabling all types of satellite, terrestrial and cable broadcasts in different systems of various content providers are received.
- has pioneered a leading approach, the results of which include Vestel's initiation of the manufacture of DVD-recorders with a hard disk, its 1.5 years of experience in manufacturing modules and backlight units, which are important components of LCD panels, and its significant step forward through the establishment of Europe's only laptop production facility and by carrying out the production of laptop computers in this plant.

We are at the top table of those who lead technology, not those who follow it.

Vestel is proud of its own business model. As a leader, not a follower, with its approach to technology and innovation, Vestel aims to broaden the scope of its studies with the support of academics in the technological fields which it recently developed, and in the fields which it leads. This global model of intensive cooperation between academia and business, which we implement at Vestek, will serve as an example of our other R&D activities.

Vestel's R&D continued to expand even in the midst of Turkey's worst economic crises and now leads an R&D army of 1,100 individuals. There is no upper limit for the R&D budget at Vestel, which allocates an average share of 2% of sales to R&D expenses.

Keywords in the coming period will be "video, game, and music". The manner in which these elements are integrated into digital devices serves as the most important point to make a difference. With its leading studies in IT and software, Vestel has proven its cutting edge position in this competitive environment.

Pixellence, which is image enhancement software developed by our R&D company, Vestek, has reached perfection in its inclusion of all image enhancement algorithms including motion improvement and errors originating from motion compression. The share of HD ready and full HD television sets bearing the Pixellence feature in the total number of LCD TV sales reached 55% in 2007.

One of the most important steps in this new era has been the focus on IP TVs. Vestek will step up its R&D activities into operator-based IP TV boxes, hotel TVs, hospital TVs, digital information screens, ITVs and other IP TV applications in 2008. These activities, marking the impressive distance covered in image enhancement, will be undertaken by Vestek.

We transfer Vestel's vision into new business lines.

Apart from the fields of electronics and white goods, our activities in technology and software, which we have been carrying out in various dimensions, stand as testament to the advanced level of our R&D studies.

- We have successfully carried out studies in the fields such as fuel cells, unmanned aerial vehicles and solar energy.
- Vestel has achieved considerable progress into the research of fuel cells, which can be used in homes; preparations for marketing activities of these products in Japan are continuing.
- With the technology we have developed in the field of unmanned aerial vehicles, we now rank as one of the world's leading companies in this field.
- We exported USD 10 million of defense software, indicating an important success trend.
- Vestel plans the initiation of a trial solar energy production plant with a capacity of 1 MW - sufficient to meet the energy needs of 200 homes.
- Another pointer of our success in this field is the progress we have reached with Birim in producing software for the health services industry: After winning the tender held by the World Bank for the paperless hospital project, we completed the project ahead of schedule and handed it to the Ministry of Health. This system allows faults to be prevented in hospital management, providing full control over the system and access to information whenever required.

Ready for the future

Vestel has formed its corporate identity and technological organization by projecting the future. Vestel's decisiveness in maintaining its position as a global manufacturer and popular brand with a range of products which address global consumers represents the strongest factor to motivate us to succeed. Our greatest desire as the Vestel family, from our managers to our employees and our dealers to authorized service outlets, is to do more for the future of our country and our people.

Yours sincerely,

Ömer Yüngül
Chairman of the Executive Committee

Executive Committee

Enis Turan Erdoğan

Executive Committee Member

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

Ömer Yüngül

Chairman of the Executive Committee

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

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.

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.

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 Altınyıldız, 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.

Ömer Ekmekçiler**Executive Committee Member**

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

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.

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 since 2005 he has been a member of the Executive Committee responsible for white goods.

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.

Adding technology to technology

Every day 1,100 people work for sole purpose of developing new technologies and products at Vestel. A substantial proportion of the investments are channeled into developing new products.

Management's Assessment and Analysis of the Year's Operational Results

ECONOMIC AND SECTORAL DEVELOPMENT IMPACTING THE COMPANY'S ACTIVITIES

Economic Outlook

- The global economy continued to grow in 2007 despite uncertainty and volatility originating in the USA. The global economy grew by an estimated 5.9% in 2007, with global trade volume increasing by 9.2%, equal to the growth rate in 2006.
- The Turkish economy completed its sixth consecutive year of growth, despite a slowdown, with 4.5% GNP growth.
- The rate of CPI inflation ended the year 2007 at 8.4%. Rising oil and commodity prices prevented inflation from falling to its targeted levels, even though the prevailing high interest rates slowed consumer expenses.
- The high interest rate policy implemented by the Central Bank until September 2007 combined with the overvalued Turkish Lira put considerable pressure on the real sector. At the same time, rising commodity prices presented another factor to push costs in industrial production higher.
- Exports rose to USD 107.1 billion in 2007. Total imports reached USD 170 billion during the year.
- While exports climbed by 25.3%, imports rose by 20.5%; due to the higher level of imports, the foreign trade deficit nevertheless increased by 14.9% from USD 41.3 billion (2006) to USD 47.5 billion in 2007.
- During this period, 86.7% of Turkey's total exports were composed of industrial products, while agricultural products accounted for 10.7%, with mining products composing 2.6% of Turkey's total exports.
- In 2007, the total value of industrial products exported reached USD 91.9 billion, marking an increase of 24.3% when compared to the previous year.
- Although the overvalued Turkish Lira presented a challenge for exporters, exports continued to increase due to the high proportion of exports sold to the countries in the Euro Zone, and the strengthening of the Euro against the US Dollar.
- The current deficit increased from USD 32.2 billion between January-December 2006 to USD 38 billion in the same period of 2007, an increase of 18%.
- Net cash inflow realized from FDI increased from USD 19 billion in January-December 2006 to USD 19.8 billion in the same period of 2007.

Sectoral outlook

- The European television market continued its rapid change from CRT to LCD sets in 2007. The total number of televisions sold rose from 7% YoY in unit terms. While CRT sets accounted for 50% of all sales in 2006, this proportion fell to 26% in 2007. The sale of LCD TV sets increased by 63% YoY in unit terms in 2007.
- In the LCD TV category, the top five A-brand manufacturers in the sector controlled a 74% share in the whole European market.
- The total number of TVs exported by the Turkish TV manufacturers to Europe - their primary export market - fell by 31% YoY in unit terms in 2007.
- In parallel with weaker consumer spending, domestic TV sales fell by 22% YoY in unit terms in 2007.
- Thanks to its geographical location, its low-cost yet high-quality labor and broad base of component manufacturers, Turkey is becoming Europe's production center also for white goods after electronics.
- Turkey's white goods exports continue to increase, with a YoY rise of 10% in four main product groups (refrigerators, washing machines, cookers, and dishwashers) in 2007, bringing total exports up to 11.4 million units. While exports of refrigerators climbed by 6% YoY with exports of washing

machines up by 4%, segments which underpinned the average growth rate in the domestic sector as well as exports were dishwashers and cookers, which saw growth rates of 62% and 21%, respectively.

- Total domestic sales in the four main product groups (refrigerators, washing machines, cookers and dishwashers), which chalked up rapid growth between 2004 and 2006 on the back of strong postponed demand, retreated by 5% in 2007 to 5.2 million units. This fall can be attributed to declining sales in two segments - refrigerators and washing machines - markets which are already relatively saturated.

- While no substantial improvement in domestic sales is forecasted for 2008, the future of the Turkish electronics and white goods sector looks bright indeed in view of rising purchasing power in parallel with the sustainability in political and economic stability, a high rate of population growth, low rates of penetration in some product groups, demand driven by replacements and renewals, and new products incorporating new technologies coming onto the market.

ASSESSMENT OF OPERATIONAL RESULTS

Developments in product segments

Flat TVs

TV markets worldwide have been going through a rapid switch from CRT to LCD sets. With its strong market foresight, Vestel entered early agreements with firms manufacturing the special integrated circuits needed for LCD televisions, enabling the Company to enter the European market along with other major TV producers.

Vestel successfully completed the shift to flat panel television sets (LCD and plasma TV sets) including all of the design, technology, production, and marketing aspects entailed in such a transition.

Today, Vestel is able to produce LCD TV sets in every category with screen sizes ranging between 14 inches and 52 inches. Capitalizing on its cost advantages associated with its traditional flexible production abilities to produce a large number of different models, Vestel manufactures competitively-priced television sets for “A Brand” producers and retail chains as well as for sale under its own name.

Despite the emergence of new flat TV makers in Eastern Europe, Vestel enjoys a strong competitive edge in digital modules, in the Far East as well as its traditional market in Europe, strengthening the Company's position in the market. TFT-LCD TVs manufactured by Vestel, which compose 80% of the Company's total exports, all include the ID TV (Integrated Digital TV) feature.

Vestel, with its strong vision, has undertaken an important investment for the purpose of better positioning itself against the competition in the market and initiated the production of the LCD modules and backlights at its plant in 2007. These components are important elements of the TV panel. Apart from a production facility in Poland, Vestel's production facility in Turkey is the only center to manufacture such components in Europe. Vestel is thus able to reduce time and costs, as well as benefiting exemptions from customs duty.

Entering the sophisticated European LCD TV market at the same time as the world's leading brands, and with its portfolio of advanced products, Vestel's production of LCD modules is an important step in the direction of ensuring that its strong market position continues in the years ahead.

Producing for its home market under the Vestel and Regal brands, Vestel continues to serve “A Brand” producers and special brands of retail chains as an OEM and ODM.

Digital and 3C Convergence products

Vestel successfully puts its technological infrastructure and know-how to work in digital products and laptop computers, too.

Vestel is the European leader for DVB digital boxes, which offer interactive experience features, in terms of both software and hardware.

Vestel manufactures two types of devices which receive digital broadcasts, one being Set-Top Boxes (STB) decoding digital satellite, terrestrial, cable or IP broadcasts. The other device is the integrated digital TV (IDTV) sets which allow users to view both analogue and digital broadcasts on the same TV set. IDTVs allow users to view both digital terrestrial (DVB-T) and IPTV-based broadcasts, as well as standard analog broadcasts.

IDTVs and STBs, which are new generation digital TV receivers, designed and manufactured by Vestel, can perform digital recording on their internal hard disk and also offer the PVR (Personal Digital Video Recorder) feature which allows users to pause, fast-forward and rewind normal broadcasts.

Different versions of these products, which can decode both MPEG2 and MPEG4 (H.264) encoded broadcasts and receive high definition (HD) broadcasts in addition to standard definition (SD) broadcasts, have also been introduced to the market.

Taking a place among the world's leading OEMs and ODMs with its competence in technology and design development, Vestel is currently the biggest manufacturer in the digital TV receiver category.

Convergence products are gaining increasingly more importance in the manner in which they bring together all features of consumer electronics to offer the user broadband access to all content through telecommunications networks. Keeping a close watch on developments in this area, Vestel established close relations with major IT firms at an early stage, just as it did in television sets. Vestel's strategic technology transfer partnership with Intel paved the way for Vestel to bring the only European manufacturing facility of laptop computers into operation by the beginning of 2007. This important step marked a great leap forward for Vestel in achieving the technological strength needed to produce convergence products.

White Goods

Vestel continued to pursue growth in the white goods segment in line with its overall strategy. The dishwasher plant, which entered production in 2007, essentially rounds off Vestel's product group investment program in the white goods segment. Capacity increasing investments will get underway in 2008

The CIS refrigerator and washing machine plants in Russia, which resumed production in 2006 after the fire in 2005, produce Vestel branded products, as well as serving "A-Brand" manufacturers in the region as an OEM-ODM.

Achieving steady growth in exports and market shares in white goods, Vestel White Goods provides OEM and ODM services in the European market to:

- "A-Brand" manufacturers
- Retail market chains
- Distributors.

Due in particular to the bulky nature of the goods and high shipping costs, there is little competition from Far Eastern and Chinese producers in the European white goods market, with Turkey the easternmost viable production hub. Faced by their own high production costs, European white goods producers are either setting up smaller production facilities in eastern European countries or are outsourcing appliance manufacturing. Vestel exploits this trend as one of its greatest competitive advantages. Vestel is able to fulfill two important roles in the production of white goods:

- Solely as a supplier of OEM and ODM services, where Vestel does not compete directly with brands of its customers for which it produces.
- Vestel undertakes production in important markets such as Russia and Turkey.

These two attributes enable Vestel to offer other major producers an attractive business model. Vestel deploys a flexible production model to supply goods to an extensive geographical region that includes Russia and CIS countries on the one hand and Europe, the Middle East, and North Africa on

the other. Rapidly increasing its own capacity in line with global trends, Vestel has successfully transferred its traditional competitive advantages in the brown goods segment to the manufacture of white goods.

The long-term OEM/ODM agreements which Vestel White Goods enters into with the world's giant white goods producers within the framework of its vision of increasing its domination of the domestic and international markets through international collaboration continued in 2007.

Other products and services

Healthcare system software

Activities in the software field related to health services are carried out by Birim Bilgi Teknolojileri A.Ş. (Birim Information Technologies Inc.). Providing integrated software, hardware, infrastructure, and personnel solutions for the outsourced automation of hospitals' health information systems, Birim serves a number of medium to large hospitals all over Turkey, employing over 4,500 people. As a provider of integrated health information system solutions, Birim's goal is to expand its leadership in digital health applications in Turkey to other countries in the region with Vestel's support.

Other activities in this area, besides automating hospitals' systems, include the development of systems where medical problems may be identified at an early stage so patients can be cared for at home through the use of complementary medical devices as well as to develop healthcare solutions for personal use.

Fuel cells

Work proceeds full pace to reduce costs of systems which can generate alternative energy using the wind, the sun or any water related sources to a level which is commercially viable. Intensive studies are being carried out in the area of renewable energy resources using microgeneration technologies, in which heat and power can be generated by individual customers, small businesses and communities to meet their own needs by using such sources of energy as the sun, wind, and water. Vestel is currently focusing on fuel cells which can be used to supply electricity and heating to people's homes. Studies are being carried out to enter the Japanese market in the field of fuel cells which can be used in homes. The first step in microgeneration through solar energy is planned to be taken in the first half of 2008. Principal projects in this field carried out by Vestel can be listed as follows:

- Vestel's patented sodium borohydride based "hydrogen sponge" or metal hydride, which enables hydrogen to be transported more safely and stored in small spaces;
- PEM fuel cells with sodium borohydride inputs developed to provide mobile energy for devices such as mobile phones and laptops;
- Solid oxide fuel cells which meet all domestic energy needs from heating to hot water and electricity;
- 100% environmentally friendly dry cells;
- Hydrogen generation systems enabling the generation of electricity in water through electrolysis at low cost;
- Patented catalysts decomposing hydrogen and patented ceramic membranes decomposing an electron from hydrogen.

Vestel Defense Group

Backed by Vestel's design and production muscle, the Vestel Defense Group plays a pioneering role in such areas as simulators, robotics, nanotechnology-based advanced materials, unmanned aerial vehicles, electronic warfare systems, laser and space technologies, and a variety of sea and land platforms. The Group seeks to put the R&D knowledge and experience of Vestel Group companies to work in defense industries in an effort to quickly contribute to the competitive advantages of the Group and thus the Turkish defense industry in these areas at a global level.

AYESAŞ has made important progress in the production of software for the cabling equipment and industrial needs of major firms in the aircraft industry. The Company's software exports have reached significant levels. Vestel Defense Industry seeks to become specialized in unmanned aerial reconnaissance vehicles, vessel modernization, command centers and similar areas. Testing is currently being carried out on unmanned aerial reconnaissance vehicles.

Vestel's technology and software activities in different fields, as well as its electronics and white goods, stand as a clear indicator of the level which the Company's R&D activities have reached.

Developments in production

Despite the adverse effects of the current economic and market conditions, Vestel continued to exhibit growth in 2007. With the addition of dishwashers and laptops to the product line in 2007, Vestel's total production capacity reached 33.8 million units in the electronics, digital products and white goods categories.

Sales**Vestel achieved total turnover of USD 3,558 million in 2007.**

With the process switching over to flat-panel television sets in the European market in full swing, Vestel's exports of CRT TV sets fell by 40% YoY in unit terms in 2007. However, having swiftly and successfully completed the transition to flat-panel TV sets in a short time through a technological restructuring based on strong projections, Vestel raised its exports of flat TV exports by 47% YoY in unit terms. Although the sales prices of LCD TV sets is higher than that of CRT sets, the effect of the declining trend in LCD unit prices led to a 9% fall in export revenues in US Dollar terms.

Despite deteriorating consumer demand, the number of televisions sold in the domestic market maintained its previous year's level. The transition from CRT to flat TVs was much slower in the domestic market than in the European market.

Domestic white goods sales in 2007 fell by 10% in unit terms due to overall contraction and fierce price competition in the market. Exports of white goods climbed by 25% in Euro terms in 2007, significantly neutralizing the impact of relatively weak revenues from the sale of TV sets and the contraction in domestic sales on total sales revenues. The share of white goods segment in total revenues is projected to rise considerably in parallel with the expansion in Vestel's product range as well as its growing customer base.

Market position

In 2007, Vestel's share of televisions exported from Turkey accounted for a 71% of the total while the Company contributed 38% and 37% shares of the country's exported refrigerators and washing machines respectively.

In view of its increasing customer base and expanding product range, Vestel's share in Turkey's total white goods exports is set to go on rising in the future.

Selling its products more than 100 countries, Vestel is the leader in CRT TV, while ranking 4th place in the LCD TV in European TV market .

Vestel is the leader in the domestic LCD TV market. Vestel's domestic market shares in white goods range between 6% for dishwashers – the latest addition to its product range - and 15% for refrigerators, with an average market share of 12%.

Profitability analysis

The Company reported an operating loss of USD 73 million, an EBITDA of USD 40 million and a net profit of USD 11 million in 2007.

The main reasons for the low EBITDA level were as follows:

- TL's appreciation (with Vestel being a net exporter)
- Rapid shift happening in the European market from CRT TVs to LCDs, coupled with tough competitive environment in the European LCD market
- Weak domestic market conditions
- At the start-up stage, Russian white goods plant operating at low capacity utilization rates.

The negative impact of TL's appreciation on EBITDA has been compensated by the FX gains on Vestel's net short FX position, which was about USD 517 million at the end of 2007. This limited the negative impact of the TL's appreciation at the bottom line.

Indebtedness

Vestel Group had a gross financial debt of USD 569 million at the end of 2007, referring to a gross financial debt/shareholders' equity ratio of 58% (81% in 2006). The Company's net financial debt contracted from around USD 237 million at the end of 2006 to USD 129 million at the end of 2007.

CAPEX

Vestel Electronics spent USD 127 million on all of its investments during 2007. R&D investments in 2007 amounted to USD 55 million, corresponding to 1.5% of total turnover.

Expectations and outlook for the future

Advanced level studies have been conducted on image improvement as well as innovations such as IP TV, aimed at increasing Vestel's competitive strength and market domination on the electronics side in the period ahead.

Following the successful addition of dishwashers to the product line on the white goods side in 2007, a decision was taken to invest in the production of driers in 2008. This is projected to further cement Vestel's expanding customer base in this field.

Vestel will continue to raise its strength in the production of television sets, white goods and digital products as a global manufacturer for the European market with its indispensable service provider identity as an OEM-ODM.

Research and Development at Vestel

Advancing rapidly towards becoming a global giant through the technology which it develops, Vestel's R&D activities are one of the most potent forces driving the Company forward.

Vestel's R&D mission is based on the principle of being a technological pioneer in areas that will ensure the sustainability of the Company's competitive position.

Underlying Vestel's success in the international market for home electronics are the investments made in R&D activities over a wide range of electronic products and software areas. In parallel with the importance placed on developing new products for the purpose of keeping a close, on-location watch on global developments, Vestel has undertaken R&D investments in the UK, the USA, Hong Kong and Taiwan, as well as in Manisa, İzmir, and İstanbul in Turkey. Vestel employs a total of 1,100 engineers in its 11 R&D centers.

R&D at Vestel Electronics

More than 500 R&D personnel serve at the Vestel Electronics Group. Vestel has the ability and capability to conduct a number of projects simultaneously at a variety of R&D locations working on a customer basis. Projects are evaluated and carried out in two main categories: electronic and mechanical projects.

Joint projects are carried out in cooperation with specialist staff at a number of universities, and new patents are received in order to convert scientific approaches and new methods into actual products. In addition, the Company receives test and analysis services from laboratories and universities both in and outside Turkey.

Vestel Electronics' R&D activities in 2007 were carried out in Manisa at its main center, its "High-End" center and its Digital center, as well as in Cabot İzmir, Vestek in İstanbul and Cabot UK in Bristol in the south west of England.

The principal focuses of Vestel Electronics' R&D activities are platform digitalization, high definition, mobility and connectivity.

Manisa Main and High-End

The design of the mechanical and electronic features of CRT and LCD television sets was carried out at the Main and High-End R&D centers in Manisa, where a total of 300 people worked tirelessly and successfully in R&D activities in line with Vestel's project management strategies. Activities at these centers were conducted by separate projects teams that are individually responsible for industrial design, mechanical design, hardware & software design, design test and verification, patent and project support. One of the objectives of Vestel's R&D activities is to increase productivity in standard CRT products while also adding new features to its existing products.

CRT hardware design projects have evaluated new designs which will enhance marketing cost competitiveness while also ensuring all existing models and chassis currently in production comply with Safety 2007 standards (the new version of EN60065).

In anticipation that two new safety standards are expected to be applied to electronic products by 2012, Vestel began implementation of all safety requirements for its products in 2007.

In LCD products, its objective was to expand the product line by incorporating new technologies into them and increasing both their productivity and their customer focus. The high priority issues were integrated digital TV, HD ready and full HD solutions for current product lines. In addition to new combined projects such as IPTV and TV-DVD units, new projects were launched on the TFT TV line to enhance image performance. A large number of new mechanical and electronic products were developed in response to the activities carried out.

Various products were developed in 2007 incorporating a variety of options and features and screen sizes ranging from 14 to 52 inches. Vestel is now ready to offer a plethora of television sets capable of receiving the digital terrestrial TV broadcasts which are still in an experimental stage in Turkey. Vestel is also one of the leading companies in Europe in this area.

R&D at Vestel Digital Production

In a sector challenged by fierce competition, especially from Far East producers, Vestel Digital Production's R&D activities have made important progress in the DVB-T, DVB-S, and DVB-C formats. Vestel Digital Production has developed a swathe of new products such as DVB-T PVR and DVB-S PVR. The Company has also launched design work on such new technologies as HD DVB-T, HD DVB-S, IP STB, and Blue Ray.

Vestel Digital Production's R&D team of 70 specialists is divided into groups individually responsible for software design, hardware design, PCB layout design, design verification, and special projects. In 2007, the team mainly concentrated on further increasing the performance of all STB products through raising definition and adding internet support.

Cabot Communications Ltd. UK

Since its participation in the Vestel R&D Group in 2001, Cabot Communications Ltd has provided total software solutions for DVB (digital video broadcasting) products. Following the successful launch of DVB-T (MHEG-5) in the British market, the R&D team developed a hard disk digital video recorder (DVR) for DVB products and released the British market the Freeview Playback feature which is obligatory for some DVR products. Moreover, it provided software support for high definition broadcasts utilizing MPEG-2 and H.264 services.

The Company's research team is currently working on UPnP and TCP/IP technologies, as well as home networks.

Cabot İzmir Yazılım ve Donanım Tic. San. A.Ş

Cabot İzmir Inc is a software development R&D company founded in the İzmir High Tech Development Region, which officially entered operation in August, 2004.

Working under Cabot Communication Ltd in Bristol, the Group produces software solutions for digital TV products.

Cabot İzmir is able to produce software solutions on many different platforms ranging from hard disk recorders to receivers compliant with encoded broadcasts for a number of different DVB markets and various broadcasting systems (DVB-T, DVB-C, and DVB-S/S2) throughout the world.

Vestek İstanbul

Vestek was founded in 2005 with the vision of becoming a skilled, respected and results-focused consumer electronics research and development firm which keeps up with and produces new technologies, guided by market conditions and technology. Its mission is to engage in research conducted jointly with research institutes and universities into new technologies and new consumer preferences, and to transform the results of such research into systems, products, and modules which are eligible for international licenses and patentable intellectual property rights.

In 2006 Vestek designed an image processing engine which compares favorably with those of leading A-brands. The content of this engine consists of image enhancement algorithms that were developed by Vestel, which holds the global patent rights. This innovation, marketed under the Pixellence name and applied to LCD TV sets manufactured in 2007, has made quite a splash in the market.

Vestek produces audio and video compression software, video player software, and software for portable devices. The Company also produces remote control Hotel TV, closed circuit audio-video distribution and operation systems such as those open to public, as well as interactive TV applications similar to Apple products, such as RSS, YouTube, Flickr, Internet and UPnP provider connected TVs.

Vestek has been selected as a strategic partner to provide software and hardware support in multimedia and network system projects by a number of firms such as Xilinx and ST.

Vestek began to concentrate on image enhancement software in 2007. Apart from algorithms designed to raise video quality and reduce noise levels, a higher level of resources have been allocated to studies into capturing motion on screen, including image processing algorithm sets and the Company expanded its algorithm set line. Furthermore, by applying a series of algorithms aimed at raising video quality on FPGA, Vestek integrated these features into Pixellence, the new LCD TV set produced by Vestel. Vestek later started to apply this technology, which has proven popular and won acclaim from consumers in the market, to full HD LCD TV sets. Vestek additionally started to develop STMicroelectronics and ASIC versions of algorithms in a bid to raise video quality. This will be the Vestel's first foray into the ASIC field.

Vestel Digital

Backed by its R&D and production lines, Vestel Digital was able to triple its production of notebooks in 2007 when compared to 2006. Two new notebook models with Santa Rose platforms were introduced to the market in 2007 - the 15" (Flashy) and 15.4" Wide (Jazz) models. Moreover, two new industrial designs, TopNotch and Torque, were completed. These two attracting designs will be brought to the market by the beginning of 2008. These two new models are projected to raise production volume of notebooks. An array of technological features was added to the new models manufactured by Vestel Digital. Microsoft's SideShow technology, which allows users to listen to music, view photos and look at their calendars and e-mails through a tiny second panel, even when the notebook cover is closed, was added to the TopNotch design. The application of EDGE and 3G wireless network technologies also distinguish Vestel's designs from the competition. With the addition of technological features, end-users are able to connect to the internet from anywhere under GSM coverage through the embedded SIM card. Continuously developing notebook features, Vestel Digital Computer R&D aims to start designing a small notebook which will prove an attractive model with its thermal feature, mechanical infrastructure and the position of its mainboard.

R&D at Vestel White Goods

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

Vestel White Goods' research and development division consists of individual departments, each of which is concerned with all aspects of its own production line. While every facility has its own R&D unit which reports directly to the facility manager, there is also a Technology Development Center bound to the Head Office, which performs industrial design and innovation activities for all Vestel products. A total of 189 R&D personnel were employed at the end of 2007 (130 at 2006).

These R&D teams are responsible for:

- The procurement or implementation of new technologies
- The design of new products
- Ensuring production processes are more environment-friendly
- Developing existing products
- Increasing productivity and reducing costs.

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

These R&D units are also specialized in resolving any technical problems that may arise with respect to products or production methods. In line with this, R&D units and the Technology Development Center:

- Closely monitor technical, academic, and industrial publications related to white goods and keep abreast of sectoral innovations and developments.
- Perform basic research at their own laboratories and apply the results of such researches into products as innovative features.
- Keep a close watch on customers' needs and wishes through customer visits and by attending fairs and exhibitions. New products are designed and existing models are modified accordingly, taking current market trends into account.
- Design products incorporating enhanced functions and features and improved production parameters.
- Carry out trial production so as to obtain pre-producing qualification for newly designed or for improved products.

Vestel's mark in patent

Vestel White Goods has built up a strong trend of success in the field of intellectual properties. At the end of 2007 on a national and international level,

- 77 industrial applicability/patent applications were submitted, 13 of which were registered;
- 33 industrial design applications were submitted, 21 of which were registered.

Aware that its competitors are in the technological innovation field in the new era, and that those companies which produce the latest and most useful technology are one step ahead of the competition, Vestel White Goods maintains its superiority in the field of technological innovation with its R&D team which is entirely composed of Turkish engineers.

Vestel won the Golden Patent Award in 2007, awarded to raise the competitive strength of Turkish companies, for its invention named “electronically controlled cooler whose opening direction can be changed”, which saves space in kitchens and provides ease of use. The cooler is now incorporated in Vestel refrigerators.

Vestel also received an award by the TPE in the patent category last year, its second patent award. Moreover, Vestel White Goods' patent application for the “upper basket height adjustment mechanism”, developed entirely by Turkish R&D engineers, was also published on the list prepared by the European Patent Office. The invention received great acclaim in the “Engineer Design” magazine released by Dupont, one of the most respected publications in the sector.

Vestel's Distribution Network

Vestel's international sales are conducted by Vestel Foreign Trade Inc, a member of the Vestel Group of Companies, while its domestic sales are handled by Vestel Durable Goods Marketing Inc, another group company.

Vestel Foreign Trade

- Exports products to more than 100 countries throughout the world.
- Is a distributor in 10 European countries
- Has a strong competitive edge in foreign markets thanks to its flexibility in meeting customers' needs, its ability to adapt quickly to changing market conditions and a strong and sure hand in after-sales services.

In an environment which has become more competitive with the rapid entry of international electronics market chains into the Turkish market, Vestel Durable Goods Marketing gained a competitive advantage by restructuring its distribution channels in 2007. The Company also distinguishes itself with high-quality products and the experience it has gained in the multi-brand concept which it has been developing since 2002. Under the new restructuring, dealers and service outlets have been gathered under the same roof. This regulation marks a sound step towards meeting customer demands swiftly and effectively.

Vestel Durable Goods Marketing

- Has a nationwide sales and service capability with 1,250 showrooms, 600 authorized service outlets, and 5,100 service personnel throughout Turkey.
- Effectively uses its call center to provide customer satisfaction. The Company's call center served an average of 2,634 calls (1,100 inbound calls and 1,534 outbound calls) per day in 2007 with its team of 41 personnel. Only 2% of the calls were made to register a complaint in 2007.

Outbound calls were made to monitor levels of customer and service satisfaction, inform of free maintenance days and to return consumers' calls, creating diversification and raising satisfaction in the eye of customers.

Vestel Durable Goods Marketing

- has adopted a customer and sales focused approach with its concept stores and multi-brand strategy.
- is the hub of an effective dealership and service outlet management system that incorporates GIS (Geographical Information System) technology.
- provides live, online product training to 250 dealers and their personnel nationwide via satellite services supplied by the Vestel Group company Dexar.
- provides logistics services efficiently at a loading ratio of 90% through the Manugistics system.
- carries out an effective communications and marketing strategy: Vestel is the 6th most easily remembered brand in Turkey.

During 2007 Vestel continued to increase the number of its "concept stores", which are based on a multi-brand sales model that includes Vestel products. By the end of the year, the number of concept stores had reached 196, seven of which were abroad.

A new sales and after-sales services organization is being set up to expand the Vestel trademark into new markets outside Turkey: Russia and CIS countries (Georgia, Azerbaijan, Armenia, Kazakhstan, Kyrgyzstan, Uzbekistan, and Turkmenistan), the Middle East (Syria, Iran, Iraq), South Asia, North Africa (Morocco), and Cyprus. In this context, a very broad distribution network was rapidly established in such markets through wholesale channels and corners via distributors as well as standard showrooms which only sell Vestel products.

Foreign distribution networks selling products with the Vestel brand:

Georgia

Sales network organization: 2 distributors, stores with Vestel nameplate and chain stores
Number of stores: 3 concepts, 14 showrooms, 20 local shops

Azerbaijan

Sales network organization: 1 distributor
Number of stores: 2 concepts, 5 showrooms, 55 local shops

Armenia

Sales network organization: 1 distributor, stores with Vestel nameplate
Number of stores: 6 showrooms

Turkmenistan

Sales network organization: 1 distributor, wholesale channel
Number of stores: 2 showrooms

Uzbekistan

Sales network organization: wholesale channel
Number of stores: 1 concept, 2 showrooms

Kyrgyzstan

Sales network organization: wholesale channel
Number of stores: 1 concept, 2 showrooms

Cyprus

Sales network organization: 1 distributor, stores
Number of stores: 1 concept, 7 showrooms

Kazakhstan

Sales network organization: wholesale channel
Number of Stores: 1 concept, 4 showrooms

Syria

Sales network organization: 1 distributor, stores with Vestel nameplate, wholesale channel
Number of stores: 1 concept, 3 showrooms, 60 local shops

Iraq

Sales network organization: 1 distributor, stores belonging to the distributor and wholesale channel
Number of stores: 11 showrooms

Morocco

Sales network organization: wholesale channel, chain stores and the developed distribution network of the distributor

Iran

Sales network organization: 1 distributor, wholesale channel belonging to the distributor
Number of stores: 200 wholesalers, 1,500 local shops

Adding life to life

Vestel works to help make life more comfortable through its products, which appeal to global customers' tastes. It aims to add value to all its stakeholders with no concessions on quality.

Human Resources at Vestel

Vestel is a community of people who identify with the Company's corporate culture, are passionate about their work and who are open to development, progress and innovation.

Vestel has 12,998 people on its payroll, of which 2,680 are white collar and 10,398 are blue collar workers.

Underlying Vestel's continued success are employees who share the same values such as teamwork, thinking in concert and pursuing common goals and who are earnest in their commitment to the Company.

Continuously investing in high-quality human resources, Vestel gives each and every one of its employees equal opportunities and all the resources needed to develop themselves personally as well as professionally in the course of their careers.

Vestel's human resources policy is based on an approach of recruiting the best and most suitable people for the Company's needs from as wide a pool as possible, placing its personnel through a well-defined process of training and progression, seeking to fill management position vacancies from within the Company and to maximize productivity through employee motivation.

Vestel attaches great importance to training on an individual company basis in order to increase the knowledge and skills of its employees. In addition to in-house and on-the-job training, Vestel also makes use of its technological resources to provide remote-learning and interactive training opportunities. The average training time provided throughout the Vestel Group during the training period between August 2006 and December 2007 was 16 hours per person. A total of 1,512 people took part in training sessions in the areas of technical development, corporate development and management development, with further training sessions continuing in 2008. Thus, more than 80 training programs are currently being conducted by training firms which Vestel has entered agreements with.

Corporate and Social Responsibility

Vestel's approach to quality, the environment, occupational safety, and employee health and its policies

In keeping with its responsibilities as one of the world's leading manufacturers of consumer electronics and white goods, Vestel defines and documents quality standards, environmental standards and occupational safety standards which must be complied in all its operations, production lines and products, and engages in an ongoing effort to ensure that it remains a strong, global player in all of its dealings with its employees, customers, dealers and suppliers. In this context, Vestel regards the establishment of management systems that will ensure the development of working principles and group policies in line with the Company's principles and targets through a common quality language and environmental awareness as one of the essential elements of its continued corporate existence.

Vestel attaches great seriousness to its duty to operate with due care for the health and safety of all those who are in contact with its products and services, and to protect the environment and nature on behalf of future generations. In line with this, potential environmental risks which every department may carry have been defined throughout the Group and all activities are conducted with consideration and awareness of these risks.

Vestel's approach to environmental policy is based on safeguarding and improving the quality of life of its employees and customers. The main tenets of the Company's environment policy, to which Vestel is committed, are as follows:

- Environmental issues will always be taken into account when considering new product projects and operations.
- Environmentally harmful materials will be avoided to such an extent that is possible in the design and manufacture of products, and efforts will be taken to use materials which are less polluting.
- Waste will be reduced, recycled, and reused to such an extent that it is possible.
- Energy, water, and natural resources will be used as economically as possible through increases in productivity and the use of new technologies.
- Recycled/recyclable packaging materials will be used wherever it is feasible to do so.
- Various activities will be staged to create and encourage environmental awareness.
- All environmentally related laws, regulations, and administrative provisions currently in effect will be strictly complied with.

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

- Fulfills all of the requirements of the 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 in connection with occupational health and safety, and provides continuous training on health and safety risks to induce correct habits and behavior.
- Adheres to the principle of "the right person for the right job" in its efforts to prevent or minimize work-related accidents.
- Other basic working principles that the Company complies with in order to prevent or minimize work-related accidents are eliminating or reducing unsafe conditions and movements within the

workplace; frequently reviewing working conditions and taking appropriate measures when problems are identified; ensuring that such measures are provided with sufficient resources to be effective; and reviewing occupational health and safety policies and practices in light of changing conditions and requirements.

Vestel Electronics

Vestel Electronics has held the TS-EN ISO 9001 certification since 1993. The Company deploys a management system that formalizes all primary and secondary processes involved in all activities ranging from identifying customer demand and market research to design, production, sales, and after-sales services with the objective of maximizing customer satisfaction.

Vestel Electronics has also held the ISO 14001 Environmental Management System certificate since 1998. The Company was most recently subjected to an environmental impact audit in 2005, where it was ascertained that Vestel Electronics was not in violation of any rules or regulations concerning environmental protection.

The leading company in producing environment-friendly products

The environment and global warming have gradually assumed an ever increasing level of seriousness on the world's agenda.

Measures that need to be taken in this field are being evaluated closely in almost every country and every sector.

While some chemicals used in the production of electronics may have adverse impacts on the environment and human health during their use, others may directly reach living creatures through the soil, water or plants if they are left to nature after their expiry, bearing various risks.

Now the EU is preparing to implement directives no. 20/20/20 to tackle global warming, which also apply in the white goods sector, production of TVs and white goods, among a total of 14 product groups, will be required to be environmentally friendly.

In addition to these measures, the availability of two EU marks on products is gradually becoming more important. One of these labels is the EU Energy mark which is mandatory on many electronic devices, such as washing machine and refrigerators, sold in the EU; the other is the EU Eco-label (Euroflower), an arbitrary practice which determines minimum requirements for the compliance of products and services with the environment as criteria.

As the EU accounts for the overwhelming majority of Vestel's sales, the Company meticulously follows the laws and regulations in effect in the EU market and in member states, as well as closely following national laws and regulations in respect to the environment and human health; carrying out its activities in line with the environmental criteria determined by the EU, it has prepared in advance for the changes to take effect.

Being the first manufacturer in Turkey to perform unleaded solder and the first and only company to certify that its products are in compliance with the EU Restriction of Hazardous Substances Directive (RoHS), Vestel plays a key role in the implementation of regulations concerning the environment and human health.

Vestel continues to manufacture environmentally friendly "green" TV sets, abiding by most of the criteria set forth in the EU Eco-label regulation, which is used to express that a product is

environment friendly from the procurement of its raw materials to its production, distribution, consumption and recycling when it expires, and which will be updated by EU in September 2008 in compliance with TFT and plasma TV units.

Vestel White Goods

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

Work is currently underway on the Company's OHSAS 18001 Occupational Health & Safety Management System certification.

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.

Since June 2006, Vestel White Goods has been manufacturing all its products in compliance with the EU Restriction of Hazardous Substances Directive (RoHS) and complies with the usage limits specified in that directive for six restricted substances (lead, mercury, cadmium, hexavalent chromium (chromium VI or Cr6+), polybrominated biphenyls (PBB), and polybrominated diphenyl ether (PBDE)) in products.

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

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

Activities held within the framework of social responsibility

MEHMET ZORLU FOUNDATION

Co-headed by Zorlu Group chairman Ahmet Zorlu and by Co-chairman Zeki Zorlu, the Mehmet Zorlu Education, Health, Culture, and Mutual Assistance Foundation is a family foundation named after their father and the Zorlu Group's founder, Mehmet Zorlu. The foundation was established on April 25, 1999.

The objectives of the Mehmet Zorlu Foundation are to support young people who are successful in their studies but lack the material means to pursue them and who have the ability to make a contribution to Turkey and the whole world in the name of humanity and support organizations which nurture them for us; to address their needs; and to lead the way in organizing activities that will assist their ongoing development.

To achieve these objectives, the Mehmet Zorlu Foundation engages in such activities as:

- Providing financial aid and scholarships to needy young people to enable them to continue their education and training;
- Providing assistance in the opening of schools and similar educational institutions;
- Supporting and organizing education-related competitions and projects;
- Assisting in the organization of education-related social activities.

The Mehmet Zorlu Foundation began fulfilling the mission of supporting education, culture and sporting activities in 2002, and has defined these areas as its main fields of activity since the day of its establishment.

Within the scope of its activities, the Foundation:

- Provides unrequited scholarships to elementary school, high school and university students each year on the basis of their success and need. As in previous years, the Foundation provided unrequited scholarships to students (a total of 680 students including the children of employees working in Group companies) in the 2006-2007 academic year. The number of students receiving scholarships approached 1,000 in the 2007-2008 academic year. Some universities which the Foundation is in cooperation with are: Akdeniz, Anatolian, Ankara, Boğaziçi, Celal Bayar, Çukurova, Dicle, Dokuz Eylül, Ege, Gazi, Hacettepe, İstanbul, İstanbul Technical University, Karadeniz Technical University, Marmara, Mimar Sinan, METU, Pamukkale, Trakya, Uludağ, and Yıldız Technical University.
- Among the most important non-educational activities that the Mehmet Zorlu Foundation undertakes is the provision of regular monthly material support to the needy. These are assistance programs provided by members of the Foundation's Sub-Study Group as a result of regular monthly meetings. An average of five people per month are provided with material support, reviewing donations made to the Foundation in various ways in respect to educational and health purposes.
- Veterans of the Turkish War of Independence are provided with regular monthly material support. The support, which was initially provided to five veterans, continued as of March 2007 but only to one veteran, after the other four sadly passed away.
- Besides scholarships allocated to lighten the public burden of educating individuals who will be beneficial to their families, their country and their nation, the Foundation also builds schools. The Mehmet Zorlu Foundation continues to step up its support for the construction efforts of educational institutions needed to ensure that young people - who are the future of our country - receive the superior education they need and deserve.

Before the formation of the Mehmet Zorlu Foundation, the Zorlu Group financed the construction and operation of two schools: Hacı Mehmet Zorlu Multi-Program Lycee (Babadağ- Denizli, 1991) and Saide Zorlu Anadolu Business Professional Lycee (Avclar-İstanbul, 1998).

Since its inception, the foundation has completed the Saide Zorlu Professional College (Bahçeşehir University, İstanbul, 2003) and the Hakkı Dereköylü Fine Arts Vocational College (in Denizli, prepared for the 2003-2004 academic year and turned over to the Ministry of National Education) Moreover, in November 2004, the foundation initiated the construction of a 32 classroom primary school in Serdivan- Adapazarı to try and help meet the need for schools in that earthquake-stricken region. This school, named after Mehmet Zorlu, was completed in time for the 2005-2006 Academic Year. Turned over to the Ministry of National Education, 800 pupils were admitted to the school in September.

- The “Zorlu Theater for Children and Youths” was established by the foundation in 2003 to contribute to culture. This troupe tours cities throughout Turkey and stages theatrical performances and puppet shows, particularly for needy children.
- The foundation continued to provide material support and cash grants to various segments in 2007.

“Vestel Supports Turkish Athletes” Social Responsibility Project

The “Vestel Supports Turkish Athletics” social responsibility project has been continuing since 2003 in line with the primary goals of developing Turkish athletics and so it can reach an international level, as well as fostering an interest in athletics among young Turkish people. The project has been

organized on the basis of the four-year cycle of the Olympic Games, which generates widespread national and international interest in athletics. The first stage of the project was completed with the 2004 Athens Olympics; the second will be completed with the 2008 Beijing Olympics.

The “Vestel Supports Turkish Athletics” program is a social responsibility project consisting of integrated sponsorships and support activities undertaken for the purpose of fostering an interest in athletics, which are widely regarded as a benchmark for all other sports, across a broad cross-section of the Turkish society. These activities are aimed at strengthening and promoting athletics among all sections of society and encouraging young Turkish people to take an interest in the sport.

Within this framework, a number of activities have been held from student athletics activities to contest sponsorships, training seminars on athletics to the www.vestelatletizm.com website and the yearly athletics statistics book, in addition to individual athlete and coach sponsorships.

With the uninterrupted support given within the scope of the project, Vestel has sponsored a total of 26 athletes and 24 coaches. Athletes supported by Vestel have won a total of 183 medals in international tournaments and championships, 80 of which were gold medals, and they have broken 123 Turkish national records with those that have been broken in contests by a single athlete in more than one age category.

Vestel to initiate a range of new practices in athletics from 2008

The Vestel Grand Prix races provided to our country by Vestel aim to address the lack of races among athletes for short to middle distances, where there is the most competition in Turkey, to contribute to their performance development and to provide benefit to the Turkish athletics.

The “Vestel Record Award” aims to encourage athletes to race at full capacity in national and international competitions and reward successful performances of those athletes who break more Turkish national records.

The “Vestel International Competition Support” program, performance tests and checkup practices on athletes and activities such as coaching training are other leading projects in Turkey which support the development of athletics in all branches.

Vestel prepared a handbook, designed to appeal to every social segment, and which will be used as a reference to endear athletics to the masses. The book includes current developments on athletics and information on athletes through the athletics e-bulletin, which it regularly sends to sports fans.

To immortalize the name of Cüneyt Koryürek, who devoted his life to athletics but which was so tragically cut short in a traffic accident, Vestel will present the “Cüneyt Koryürek Awards for the Athletes of the Year” from this year in a bid to support our athletes in their new successes.

Vestel Group Companies

Vestel Electronics

LEGAL NAME Vestel Elektronik Sanayi ve Ticaret A.Ş.

FOUNDED 1984

PRINCIPAL BUSINESS ACTIVITY Production of CRT, TFT-LCD, and plasma televisions

Turkey's leading manufacturer of electronics, Vestel Electronics joined the Zorlu Group in 1994. Since then, Vestel Electronics' tremendous progress, growth, and development have made it one of Turkey's biggest privately-owned industrial concerns, Europe's biggest TV manufacturer, and a leading actor in the global television market.

Controlling the biggest stake in the majority of group companies, Vestel Electronics is the flagship company of the Vestel Group.

Achieving many firsts in television manufacturing in Turkey, Vestel Electronics offers customers standard and combined CRT television sets with screen sizes ranging from 37cm to 87cm (15 to 35 inch) and is also the market leader in the design and production of high-tech TFT-LCD and plasma television sets. The high-end factory investment completed at Vestel City, Manisa in 2005 has placed the Company solidly in the ranks of leaders of the European market in terms of TFT-LCD and plasma TV production.

Manufacturing television sets which are compliant with digital and high-definition (HD) broadcasts that are becoming increasingly more common in Europe, Vestel Electronics' greatest strength is derived from its R&D infrastructure. Seeing R&D as the most important guarantee of its future and growth, Vestel Electronics continuously supports its R&D activities with new investment with the result that its technological infrastructure has become one of the most advanced in its sector. Thanks to activities carried out in the R&D centers which it has set up in Europe, the USA and the Far East as well as in Turkey, Vestel Electronics is able to provide its customers goods whose electronics, mechanical design, and software are produced entirely in-house.

Thanks to Vestel Electronics' internationally accredited test laboratories, the Company was able to considerably increase its productivity at the product testing and certification stages.

An innovative approach shaped by R&D investments has enabled Vestel Electronics to achieve a unique and strong market position for itself. Vestel Electronics has pioneered many innovations in television manufacturing in Turkey and was the first to bring products incorporating 100 Hz, 87 inch screen, 16:9 cinema format, flat TV with DVD player, recording/replaying, Dolby surround prologic, digital TV, internet access, TFT, and plasma features to the market.

In addition to its own branded products, Vestel Electronics has been producing goods for many global electronics giants.

All of Vestel Electronics' production processes and activities have been awarded ISO 9001 Quality Management System and ISO 14001 Environmental Management System certifications. Its integrated facilities and automation technologies have made the Company Europe's biggest color television manufacturer.

Vestel Electronics employs a cellular manufacturing system that allows it to achieve the high degree of flexibility that it needs. By greatly shortening new product development times, this system enables the Company to enrich its product line and increase its competitive strength. Ongoing improvements in production technologies have led to increases in productivity as well as shorter production times, paving the way for greater customer satisfaction and profitability.

In 2007, Vestel Electronics captured the biggest share in the television sets exported from Turkey. Vestel Electronics is Europe's biggest television manufacturer and the Company ships its goods to more than 100 countries worldwide. Vestel is the leader in CRT TV, while ranking 4th place in the LCD TV in European TV market in 2007. Vestel Electronics' products are sold on the Turkish market by Vestel Durable Goods Marketing Inc. and in foreign markets by Vestel Foreign Trade Inc.

Vestel White Goods

LEGAL NAME Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.

FOUNDED 1997

PRINCIPAL BUSINESS ACTIVITY Design and manufacture of white goods

Vestel White Goods was founded in Manisa in 1997 for the purposes of designing, manufacturing, and selling white goods with a particular focus on refrigerators. The Company began producing refrigerators in 1999, split air conditioning units in 2000, washing machines in 2003, and cookers in 2005. It completed its dishwasher production investment in early 2007.

Vestel White Goods' highly flexible production lines give it the ability to respond to customers' needs quickly and they are what have been nourishing the Company's rapid growth in recent years. With its OEM-ODM identity, Vestel White Goods today is a company whose products' quality and features make them preferred in more than a hundred countries, particularly in mature markets such as the UK, France, Germany, and Spain where customer expectations are high.

In keeping with its quality management system and adopted principle of continuous development, Vestel White Good's mission is to offer products that are economical, innovative, and competitive and which satisfy the needs and expectations of customers in Turkey and throughout the world. Informed by this mission, the Company's vision is to be the manufacturer offering the world's best white goods by adhering to a total quality management approach that seeks to provide an ever increasing number of people with a wider range of products and services to a higher level of quality.

Being the first in Europe to produce and offer no-frost models with the R600 refrigerant, Vestel White Goods offers the widest and the highest volume of no-frost products of any European producer. With the second refrigerator factory officially opened in early 2007, the Company's total annual production capacity reached 3.2 million units.

Vestel White Goods' single and multiple split air conditioning units incorporate all of the cooling and heating functions made available by state-of-the-art technology, are equipped with electronic remote control and come in a range of BTU options. The units are aesthetically designed and are highly acclaimed by consumers. Vestel White Goods was the first producer in Turkey to offer models with negative ion generators and also the first to produce models with built in anti-allergenic filtration. The Company's new Quattro series takes split AC design to a whole new level. The state-of-the-art inverter technology was introduced in Vestel's product line from 2007. Unique designs applied in the platinum series of air conditioning units have enjoyed wide acclaim in the market.

In line with its planned growth strategy, Vestel White Goods brought its new cooker factory on stream in the last quarter of 2005. Fully equipped with the latest technology, this plant is one of the most modern of its kind in the world and boasts an annual production capacity of 1 million units.

When designing cookers, the Company carefully takes into account the needs and expectations of its target markets. The existing product line is capable of addressing nearly all of the demands of markets in former Eastern Bloc countries and Europe in general, as well as many of markets in Africa and the Middle East. The design process also took account of environmental and safety directives (RoHS, WEEE, new safety standards, etc.) where entered effect in 2006.

The annual production capacity of the Company's washing machine facility reached 2.2 million following the completion of investments in 2006. The factory currently produces washing machines

with washing capacities of between 3 and 7.5 kg which are equipped with mechanical and electronic controls for speeds ranging between 400 and 1,600 rpm. In the washing machine category, production of higher volume machines with enhanced washing performance and energy efficiency will get underway in 2008.

The scope of the dishwasher product line entered operation in 2007, producing electronically-controlled, solo, semi-integrated and fully-integrated dishwashers with between 2 and 9 programs, half load and single basket washing features, the capacity to wash dinnerware 12-people, tablet (combined) detergent detection system, noise levels of between 54 dBA and 45 dBA, with energy performance, washing performance and drying performance all in the A-B category.

Vestel White Goods' products are sold on the Turkish market by Vestel Durable Goods Marketing Inc. and in foreign markets by Vestel Foreign Trade Inc.

Attaching special importance to product quality, the production processes at Vestel White Goods' facilities producing refrigerators, washing machines and air conditioning units have all been awarded the ISO 9001:2000 Quality Management System certification. The refrigerator plant has an "approved factory" certification (BEAB, UK) and all of its products are also KEMA-certified as well. The Company's OHSAS 18001 Occupational Health & Safety Assessment Series certification is expected to be awarded by the end of 2007.

Vestel Durable Goods Marketing

LEGAL NAME Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.

FOUNDED 1991

PRINCIPAL BUSINESS ACTIVITY Marketing and sales of Vestel products in the domestic market

Vestel Durable Goods Marketing is responsible for the sales and marketing of products manufactured by Vestel Electronics, Vestel White Goods, and Vestel Digital in Turkey.

The Company's nationwide sales are conducted through four regional departments (Marmara, Aegean & Mediterranean, Central Anatolia, and Southeastern Anatolia) which oversee the operations of seventeen sales offices. In addition to this regional sales organization, Vestel Durable Goods Marketing also employs a commercial sales unit which conducts extensive sales to hotels, large retail chains, companies and institutions, complete/prefabricated kitchen suppliers, and construction projects.

Vestel Durable Goods Marketing has adopted implementations to distribute its goods to dealers more rapidly and effectively. The Company is the only player in the Turkish consumer durables goods sector to use of the Manugistics system to oversee the effectiveness of its deliveries. This system increases the efficiency of warehouse management, significantly reduces transport costs and raises average truck capacity utilization rates to as much as 90%.

Applying intensive use of advanced technology in all business processes, Vestel Durable Goods Marketing

- is the hub of an effective dealership and service outlet management system that incorporates GIS (Geographical Information System) technology.
- introduced a web-based service infrastructure that enables all service points to take advantage of a centralized customer database.
- is providing live, online product training to 250 dealers and their personnel throughout the country via satellite services supplied by the Vestel Group company Dexar.

Vestel Durable Goods Marketing's dealership organization enjoys a national reach and has been extensively restructured over the last four years. Vestel brand products have been withdrawn from stores which sell other brands of brown and white goods, with the products moved to Vestel showrooms and shops instead. The number of these outlets had reached 1,250 by the end of 2007.

In order to bring its growing array of products and brands closer to consumers, Vestel Durable Goods Marketing started to open "concept stores" in shopping malls and on high streets in 2005. The Company accelerated its concept store activities in 2007 and brought the number of such stores to 196 by the end of the year.

In addition to Vestel brand products, the Company sells and markets products of prestigious international brands, in line with its "Multi Brand Strategy", such as JVC, Whirlpool, Moulinex, Tefal, Rowenta, Samsung, Motorola, HP, Nokia, Philips and Creative, Vogel's and Sonorus. This extensive range of products is available to end-users through Vestel stores.

Vestel was the leader in the Turkish TV sector in 2007. Its series of Vestel Pixellence LCD TV sets, which have about 30 international patents, has proven an astounding success since they were introduced to the market in August. Vestel's Pixellence sets account for 55% of its LCD TV sales.

Fuelled by high demand for Pixellence, the Company aims to increase its LCD TV sales in 2008 by 60%.

The success achieved by Vestel both as a company and a brand has also been affirmed by current studies. Research studies conducted into corporate prestige, conducted by Nielsen, an international research company, for the Zorlu Group in 2007 highlighted that Vestel is one of the two most liked and prestigious brands of Turkey. Nielsen's "2007 Brands Research", meanwhile, ranks Vestel as the sixth most remembered brand in Turkey.

Vestel Durable Goods Marketing has phased Vestel brand products out of wholesale channels and replaced them with the Regal brand, which was created especially for this segment. The Company supplies its specially designed Alaska, Firstline, Watson, and SEG branded products to this segment. Vestel Durable Goods Marketing also conducts extensive sales directly to institutional customers such as hotels and hospitals.

As one of the leading players in Turkey's durable consumer goods sector, Vestel Durable Goods Marketing's competitive advantages are its domestic manufacturing strengths, a line of products which appeals to Turkish consumer tastes, effective and highly developed delivery channels, a multi-brand marketing strategy, high levels of process automation and productivity and collective thinking and transparent communication in management.

Vestel Digital

LEGAL NAME Vestel Dijital Üretim Sanayi A.Ş.

FOUNDED 2005

PRINCIPAL BUSINESS ACTIVITY Digital media and PC products

Vestel Digital was founded within Vestel City in the Manisa Organized Industrial Zone on January 1, 2005. The Company carries out its production activities in an enclosed space of 35,000 m2.

Production of various styles of 3 different product categories takes place at Vestel Dijital Üretim Sanayi A.Ş.; Digital Media Products, IT Technologies (Laptops, LCD Monitor, Desktop PCs) and Digital Display Products.

Backed by its advantage of economies of scale, the Company sells a variety of products and styles to its customers both in Turkey and abroad with the support of its technological production strength and R&D infrastructure. Vestel Digital is responsible for the design and production of the first and only domestic laptop to be produced in Turkey - and in Europe. The strength to develop technology and convert developed technologies into products is one of the Company's most important dynamics.

Turkish engineers at the Company designed the laptops, with the investment completed and production under way at the end of 2006.

A joint operation was conducted with Intel in setting up the R&D and production infrastructure.

The R&D Department, which was responsible for the design of laptops, is composed of five subdivisions. BIOS software, EC (Embedded Controller) software and Microsoft Windows-based application software are developed by the Company's software group. The first Turkish BIOS software was developed by Vestel Digital's software engineers.

The Company's hardware design group designs mainboards over which high-frequency signals in laptops are transmitted. The design of antennae for wireless network connections and embedded boards with 3G technology are among the other important projects realized by the Group.

Product designs in line with consumer demands and new trends have been conducted by the Company's industrial design group, while the design of plastic and metal parts of such products is carried out by the Company's mechanical design group through use of the pro-engineer program. The thermal simulation of such a design is undertaken by the Flowtherm device, which checks the temperature inside the product; the design is adjusted accordingly.

At the design stage, the mechanical, hardware and software design of the product is monitored by the Test and Verification Group at the test laboratories located in the Company's facilities over an 8-week period through 15 electrical and mechanical tests.

Dexar

LEGAL NAME Deksar Multimedya ve Telekomünikasyon A.Ş.

FOUNDED 2000

PRINCIPAL BUSINESS ACTIVITY Informatics and telecommunications systems, operation, and integration

Dexar is a telecommunications service provider and operator originally set up to provide satellite communication services and support them with high added-value services. The Company has since expanded its service line with the addition of information technology services and integration applications.

Dexar ranked first among all the satellite service providers and satellite data applications operators in Turkey. Dexar's satellite-based services include setting up high-speed point to multi-point data transmission networks and bidirectional internet access, IP multicasting, distance learning, intranet, and bandwidth on demand (BOD) services.

Under the heading of general IT services, Dexar provides installation, operation, and maintenance support for LAN and WAN applications, co-location and hosting services, and onsite services for dispersed corporate structures. Dexar began providing onsite services for computers belonging to different companies and organizations.

Dexar's customer portfolio consists of such leading corporate and institutional names as Roche, Aksa, General Directorate for Disaster Recovery, Ziraat Bank, Superonline, Başak Sigorta, Betek, BU Kandilli Observatory, Süleyman Demirel University, TPAO, BAT, Loreal, Meteksan, Alarko, İpragaz, EÜAŞ, Shell, BP, Fortis, and DenizBank.

As the sole IT service provider in the Zorlu Group, Dexar also provides group members with access, communications, infrastructure, and software support for their own needs and for their strategic production facilities. Firms in this category include Vestel Electronics, Vestel CIS, Vestel Digital, Vestel Durable Goods Marketing, Vestel Defense, Vestel Electronics R&D, Korteks, Zorlu Energy, Zorlu Linens, and Cabot Technology Development.

In addition to its satellite services, Dexar intends to expand its service line with the integration and servicing of Vestel-brand IT products while continuing to strengthen its existing market position.

Vestel Foreign Trade

LEGAL NAME Vestel Dış Ticaret A.Ş.

FOUNDED 1987

PRINCIPAL BUSINESS ACTIVITY Export-Import

Vestel Foreign Trade is responsible for the international marketing and sale of the goods manufactured by Vestel Electronics, Vestel White Goods, and Vestel Digital.

The Company's international marketing and sales activities are carried out through its subsidiaries located in France, Germany, Spain, the UK, the Netherlands, Italy, Finland, Russia and Romania, which are commissioned to establish local sales and distribution networks in these countries.

An extensive customer portfolio that spans the globe, deep market knowledge and experience, a strong worldwide distribution network, and staunch international business relationships are the keys to Vestel Foreign Trade's success.

Vestel Foreign Trade and foreign operations notched up total international sales of USD 2.6 billion in 2007. Vestel Foreign Trade has been Turkey's export leader in the electronics sector for the last 7 years.

Selling to more than a hundred different countries, Vestel Foreign Trade is the leader in CRT TV, while ranking 4th place in the LCD TV in European TV market in 2007. With the ability to rapidly move into and establish itself in new markets, Vestel Foreign Trade plans to increase its foreign sales by entering emerging markets where practicable and increase the share in total sales.

Drawing attention to the volume of goods in its exports and its presence in foreign markets, Vestel has been one of the three Turkish companies to have achieved entry into the list of "100 Companies which challenge gigantic western corporations the most", released by Boston Consulting Group, which is one of the leading consultancy companies in the USA.

Vestel CIS Ltd.

LEGAL NAME Vestel CIS Ltd.

FOUNDED 2001

PRINCIPAL BUSINESS ACTIVITY Production and sales of brown and white goods

Vestel CIS Ltd is Vestel Group's production company in the Russian Federation and was originally founded in 2003 to manufacture television sets.

Based in Alexandrov near Moscow, Vestel CIS Ltd's product quality, strong logistical support, and lean cost structure provide the Company with a keen competitive edge in the market. Vestel CIS Ltd's production activities have been awarded the ROSTEST Quality Certification, which is mandatory in Russia.

A fire that broke out on November 14, 2005 completely destroyed the television plant. Vestel CIS is in the process of collecting its claims from the insurers. The washing machine and refrigerator plants which came on stream in 2006 reached an annual production capacity of 500,000 units in 2007 in each product category. This will enable the Company to further tap the tremendous potential that exists in the rapidly growing Russian market.

Vestel Italy SRL**LEGAL NAME** Vestel Italy SRL**FOUNDED** 2001**PRINCIPAL BUSINESS ACTIVITY** Marketing and sales

Vestel Italy was set up in 2001 to sell Vestel products in the Italian market.

Vestel Iberia**LEGAL NAME** Vestel Iberia**FOUNDED** 1998**PRINCIPAL BUSINESS ACTIVITY** Marketing and sales

Founded in 1998, Vestel Iberia is responsible for the marketing and sale of Vestel products in Spain and Portugal.

The Company has firmly established itself in the Iberian Peninsula thanks to its superior competitive advantages.

Vestel UK Ltd.**LEGAL NAME** Vestel UK Ltd.**FOUNDED** 2004**PRINCIPAL BUSINESS ACTIVITY** Marketing and sales

Founded in 2003, Vestel UK is responsible for the marketing and sale of Vestel products in the UK.

Vestel UK's local organization enables it to provide full service that includes warehouse deliveries as well as maintenance and repair support, further strengthening the competitive position of Vestel products in the UK market.

Vestel Trade**LEGAL NAME** Vestel Trade Ltd.**FOUNDED** 2003**PRINCIPAL BUSINESS ACTIVITY** Marketing and sales

Founded in Moscow in 2003, Vestel Trade is responsible for carrying out the sale and marketing activities of the Vestel Group in the Russian Federation.

Vestel France SA**LEGAL NAME** Vestel France SA**FOUNDED** 1996**PRINCIPAL BUSINESS ACTIVITY** Marketing and sales

Vestel France was set up in 1996 to market Vestel products in Europe. The territory under the Company's responsibility consists of France as well as Belgium, Martinique, the Reunion Islands, and Guadeloupe.

Vestel Germany

LEGAL NAME Vestel Germany

FOUNDED 1995

PRINCIPAL BUSINESS ACTIVITY Marketing and sales

Founded under its former name, Veseg GmbH, in 1995 to market and sell Vestel products in Germany, Austria and Switzerland, all of the Company's shares were purchased by Vestel in 2007, and the title of the Company was accordingly changed to Vestel Germany.

Vestel Holland BV

LEGAL NAME Vestel Holland BV

FOUNDED 1995

PRINCIPAL BUSINESS ACTIVITY Logistical support and Sales

The Group's first foreign subsidiary, Vestel Holland has been operating from the city of Rotterdam since 1995. The Company plays a highly important role in coordinating Vestel's international trade activities and providing them with logistical support.

Vestel Benelux BV

LEGAL NAME Vestel Benelux BV

FOUNDED 2003

PRINCIPAL BUSINESS ACTIVITY Marketing and sales

Vestel Benelux entered operation in 2003 and is responsible for the marketing and sale of both Vestel-brand and OEM products in the Benelux countries (Belgium, the Netherlands and Luxembourg).

Vestel Electronica SRL

LEGAL NAME Vestel Electronica SRL

FOUNDED 2004

PRINCIPAL BUSINESS ACTIVITY Marketing and sales

Vestel Romania was founded in 2004 to market and sell Vestel products in Romania. The Company engages in a variety of activities concerning the sale of OEM products in line with the changes taking place in Romania as it approached EU membership. It is also undertaking preparations to launch Vestel branded products in the country as well.

Vestel Scandinavia

LEGAL NAME OY Vestel Scandinavia AB

FOUNDED 2006

PRINCIPAL BUSINESS ACTIVITY Marketing and sales

Founded in Finland in 2006, the Company is responsible for the marketing and sale of Vestel's Finlux-branded products in the Scandinavian countries.

UTS**LEGAL NAME** United Technical Services, S.R.O.**FOUNDED** 2006**PRINCIPAL BUSINESS ACTIVITY** Sale and after sale services

Founded in Slovakia in 2006, the Company is responsible for providing after-sales services and technical support for all products exported by Vestel.

Vestel Defense**LEGAL NAME** Vestel Savunma Sanayi A.Ş.**FOUNDED** 2003**PRINCIPAL BUSINESS ACTIVITY** Defense industry technologies marketing and sales

Vestel Defense was founded in late 2003 mainly to supply the technological needs of the Turkish Armed Forces and to export defense industry products to other countries of the world. The Company's primary objectives are to conduct research in high-tech electronic and software issues, to produce cost-effective and technologically superior solutions which are delivered on time and to provide those solutions with a competitive edge among the strongest defense industry products available worldwide.

In today's world, providing the equipment needed to maintain the defense and security of peace, freedom and progress has become an increasingly complex and technology-demanding process. Vestel Defense brings together all of the experience and strengths of the Zorlu Group in the areas of electronics, software, energy, and textiles to lead the way in the development of simulators, robotic systems, hydrogen energy, fuel cells, nanotechnology-based high-tech materials, unmanned aerial reconnaissance vehicles, electronic warfare systems and a variety of sea and land platforms in an effort to give the Group a competitive advantage in these areas on a global scale.

AYESAŞ

LEGAL NAME Aydın Yazılım ve Elektronik Sanayii A.Ş.

FOUNDED 1990

PRINCIPAL BUSINESS ACTIVITY Original software and technology development and production for military and civilian applications

AYESAŞ was founded in 1990 to design, produce, and integrate the command, control, and communication systems that form the backbone of Turkey's National Air Defense system.

Through the projects it has undertaken, AYESAŞ has gained significant experience and built up unique capabilities in the defense industry and aviation industry software, engineering, design, and production infrastructure capable of competing in the international arena.

Joining the Vestel Group in 2005, AYESAŞ continues to meet the needs of Turkey's defense industry while also exporting software and hardware to some of the world's leading players in the defense and aviation industries. AYESAŞ is the largest privately-owned company in its sector in Turkey, backed by the projects it has undertaken, its technological experience and its specialist human resources.

AYESAŞ's distinguished roster of customers includes the Ministry of National Defense, the Turkish Land Army, Navy and Air Force, and the Undersecretariat for Defense Industries as well as NATO, Boeing, Lockheed-Martin, Sikorsky, Thales, Rockwell Collins, L-3 Communications, Northrop Grumman, GD Canada, Smiths Aerospace, ADC Teledata, Turkish Telecom, ASELSAN, HAVELSAN, TAI and FNSS.

AYESAŞ's activities are concentrated in the following areas:

- Real-time software development
- Turnkey-delivery C4I Systems
- Avionics software development conforming to RTCA DO-178B and Mil Std 498 standards
- Radar integration
- Tactical data communication (ATDL-1, Link-1, Link-11/B, and Link-16)
- Independent verification and validation (IV&V)
- Electronic and electromechanical system design, production, and integration
- Wiring production
- System engineering and system integration
- Console, communication system, and electro-mechanical equipment design, production, and integration for sea platforms
- Increasing durability of electronic equipment
- Depot level maintenance for C4I systems
- Simulation systems
- UHF-VHF communication systems and devices

The Company's activities have received the following quality system and other certifications:

- ISO-9001:2000, AQAP-150 Quality Assurance Certification
- SEI SW CMM Level 3 Software Development Certification
- AQAP-150 and SSM Class A Software Quality Assurance Certification
- Industrial Security Certification.

Birim Information Technologies

LEGAL NAME Birim Bilgi İşlem ve Müşavirlik Tic. A.Ş.

FOUNDED 1991

PRINCIPAL BUSINESS ACTIVITY Software for the health services industry

In 2006 Vestel acquired a 55% stake in Birim, the leading producer of software for the health services industry in Turkey. Delivering integrated health information system solutions, Birim's goal is to expand its leadership in digital health applications in Turkey into other countries in the region with Vestel's support. The Company provides integrated software, hardware, infrastructure, and personnel solutions for the outsourced automation of hospitals' health information systems.

Birim supplies all the hardware, software, and infrastructure which health care institutions need to successfully manage all their information; it provides the software and equipment use training needed for an integrated hospital information management system, procures data input personnel when necessary and undertakes all system maintenance work.

Founded in 1991, Birim Information Technologies today employs more than 4,500 people to provide high-quality and dependable services and solutions to health care institutions throughout the country. Taking a teamwork approach to their work, Birim Information Technologies personnel keep a close watch on technological and sectoral developments and makes use of them to enhance the productivity and effectiveness of software, hardware and systems.

Birim regards the design of hospital information management system programs as a fully integrated and living process in which system support units, technical support units and design units work together to produce programs which best suit the changing needs of the day. The same units all take part in continuously developing programs once they are in operation. This approach ensures that these programs create ever greater synergies between the health care sector services and the services received by patients from health care providers.

Focused on the official work processes and needs that are required of hospitals by law, hospital information management system programs are structured so as to comply with regulations while delivering health care solutions in the most rapid and most effective manner possible. Birim provides its customers with fully-integrated hospital information management systems that are economical, productive, effective, scalable, and secure.

Birim's high-quality service is rooted in the principles of:

- Correctly identifying and reassessing task flows
- Making it possible to monitor and evaluate the performance of personnel and to change assignments as needed
- Reducing materials procurement and storage costs
- Providing instantaneous access to financial information
- Allowing instantaneous access to all information from anywhere in the hospital
- Serving patients more effectively
- Ensuring and increasing the security of confidential patient information.

Birim's hospital information management system programs deliver solutions that allow hospitals to make full and effective use of all their resources, including evaluation of inventory and personnel, and to reach correct decisions on such matters.

Vestek

LEGAL NAME Vestek Elektronik Araştırma Geliştirme A.Ş.

FOUNDED 2005

PRINCIPAL BUSINESS ACTIVITY Research & Development

Vestek is a Vestel R&D center which entered operation in August 2005 in the ARI Technocity on the Ayazağa campus of İstanbul Technical University, employing workforce of 52 staff.

Vestek was set up with the vision of being an R&D firm which keeps abreast of and produces new technologies. The Company is guided by technology and market conditions and enjoys wide acclaim with its result-focused approach in the area of consumer electronics. Vestek's mission is to evaluate new technologies and new consumer trends in partnership with universities and research institutions and to transform such research into systems, products, and modules, etc that qualify as internationally licensable and patentable intellectual property rights.

In this context, Vestek develops image processing, image quality enhancement, audio and video data compression and decompression, embedded multimedia systems, and home entertainment network systems. The Company is currently developing energy distribution management software.

Cabot Communications

LEGAL NAME Cabot Communications Ltd. UK

FOUNDED 2001

PRINCIPAL BUSINESS ACTIVITY Software R&D

The Bristol-based Cabot in the UK has been carrying out R&D activities since 2001. The Company worked tirelessly throughout 2007 to meet customers' increasing demand for software for digital broadcasting applications.

Software was developed for international firms to accommodate changes in digital broadcasting features and also to enable the decoding of broadcasting content in the UK and other countries (such as MHP and PVR).

Cabot Turkey

LEGAL NAME Cabot Turkey

FOUNDED 2004

PRINCIPAL BUSINESS ACTIVITY Software R&D

Cabot Turkey's activities in 2007 once again enabled it to successfully maintain its superior position in Turkey's software industry. Cabot Turkey, which joined the Vestel R&D family in 2004, carries out software development in coordination with the Bristol-based Cabot UK. Employing around 80 technical staff, Cabot Turkey has produced solutions on many different platforms for the DVB-T, DVBS, DVB-C, IDTV products of numerous firms.

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ CORPORATE GOVERNANCE COMPLIANCE REPORT

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VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ CORPORATE GOVERNANCE COMPLIANCE REPORT

1. Statement of compliance with corporate governance principles

Vestel Electronics Incorporated has started to reap the results of the Corporate Governance work that was initiated in late 2004 and lasted about two years. During the process, the Principles, which have been adopted from the lowest to the highest level across the Company, were started to be fully implemented, and the corporate governance mechanisms were started to be operated in line therewith. It was decided to obtain a rating from Institutional Shareholder Services (ISS), a leading international rating agency, in order to have the latest status of the work carried out as at 2006 examined independently and to ensure its public disclosure. The score of 7.5 (good) granted on a scale of 10 evidences the level and success of the Company's corporate management. In parallel with the monitoring carried out in February 2008, ISS Corporate Services Inc. (ISS) upgraded our Company's Corporate Governance rating from 7.5 (75.91%) to 8.5 (82.57%) on a scale of 10. This improvement in our rating attests to the importance attached at the Vestel Group to corporate governance and to the constant efforts to achieve further progress in this department.

The efforts undertaken with a view to further improving compliance with Corporate Governance Principles at Vestel Electronics Inc. in 2007 are summarized below.

- A new performance appraisal system has been introduced 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.
- Major progress was attained in 2007 in relation to the strengthening of the Internal Control System of the Vestel Group of Companies. The Internal Audit Department was reorganized so as to increase the existing audit resources, thus making the audit work at the Vestel Group of Companies more effective. Establishing the framework of the duties, authorities and responsibilities of the Internal Audit Department in line with the International Internal Audit Standards, the Internal Audit Charter was revised and approved by the Board of Directors. The number of the Audit Committee meetings was increased as compared with the previous year. The Chief Auditor of the independent audit company was invited to one of the meetings and his opinions were sought regarding the internal control system of the Vestel Group of Companies.

In the implementation of Corporate Governance Principles, certain principles that do not conform with 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 donation and grants, or giving guarantees such as suretyship, mortgage in favor of third parties" are required to be taken at a general meeting. The underlying reason is that the nature of the business in which the Company is involved requires it to buy, sell, and lease quite frequently. Having to hold a general meeting every time such a transaction takes place is considered to be impossible and so no such article has been included in the articles of incorporation. This practice is refrained from in order to ensure that deals are made quickly and to prevent opportunities from being missed.

These activities on the part of Vestel shows its commitment to achieve compliance with corporate governance principles and that it is aware of its responsibilities towards its shareholders no matter what the size of their stakes in the Company may be. Acknowledging the contributions that corporate governance principles have already made to the Company, Vestel Electronics Inc.'s goal is to attain even greater compliance with those principles with the involvement of all its employees and managers in the senior management.



Ahmet Nazif Zorlu
Chairman of the Board



Ömer Yüngül
Board Member

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

CORPORATE GOVERNANCE COMPLIANCE REPORT

PART I: SHAREHOLDERS

2. Investor Relations Unit

- On 30 May 2005 Vestel Electronics' Board of Directors created a Corporate Finance and Investor Relations Unit for the purposes of effectively managing relations with investors and achieving uniformity in communication with investors and in publicly disclosed information. This unit, which reports to the Corporate Governance Committee that was set up in the early part of 2005 as stipulated in the Company's articles of incorporation, plays an important role in the Company's compliance with corporate governance principles.
- The officer in charge of the Corporate Finance and Investor Relations Unit is Figen Çevik.
- The Corporate Finance and Investor Relations Unit can be contacted on a continuous basis through the corporate website and by its direct telephone on (0212) 286 03 20.
- The principal activities carried out by the Corporate Finance and Investor Relations Unit in 2007 were the following:
 - HSBC Investors' Forum, London
 - Vestel City plant tour organization for analysts
 - About 30 one-on-one meetings were held in addition to the above
 - During the reporting period about 80 questions were responded to by e-mail and about 40 by telephone.
 - All of the questions asked of the unit were carefully responded to verbally and/or in writing as appropriate and 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

- Vestel Corporate Finance and Investor Relations Unit responded in detail to information requests received in 2007 within the frame of the disclosure policy. 30% of the requests for information were concerned with the Company's activities and financial performance; the remaining 70% were concerned with investments, stock price movements, general meetings, etc.
- For the purpose of facilitating the exercise of shareholders' important right to obtain information, the corporate website was continued to be improved in 2007 to give domestic and international investors quick access to as much timely, truthful, complete, and intelligible information as possible.
- 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 Electronics held its ordinary general meeting for 2006 at 09:30 AM on 18 May 2007 at the address of Zorlu Plaza, Avcılar-İstanbul.
 - Invitations to the meeting that also included the agenda were published, as required by law and the Company's articles of incorporation, in issue 836 of Turkish Trade Registry gazette dated 25 April 2007 and in the 25 April 2007 issues of the newspapers Milliyet and Dünya. 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 participation in the meeting, its announcements were published in the two newspapers with high circulations in Turkey. Convenient access to all information about the general meeting including the announcement was also provided on the corporate website.
- Only shareholders attended the meeting. There was no other stakeholder or media presence.
 - Of the 15,909,988,696 shares corresponding to the Company's total capitalization of TRY 159,099,886,960, 52.89% or 8,414,906,368 shares representing TRY 84,149,063.68 in capital were present in person. No proxy votes were cast.
 - Before the general meeting, the annual report and financial statements were made available for the inspection of shareholders at the Company's own headquarters and at those of Vestel Holding as well. All of 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.

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- The Company's articles of incorporation contain no provisions requiring decisions of a highly important nature 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 Zorlu Holding as well. As a result of changes made in the corporate website, all announcements, documents, and other materials related to general meetings are now accessible to shareholders and to all other stakeholders.

5. Voting rights and minority rights

- All of Vestel Electronics Inc. shares enjoy the same rights. There are no special rights with respect to voting or dividends. This is stipulated in the Company's articles of incorporation.
- The Company's subsidiaries do not have any shareholding interests in Vestel Electronics Inc. For this reason, there are no cross-shareholding interests and therefore no need to disclose their impact on general meeting votes.
- Minority shareholding interests are represented by two independent members that have been elected to seats on the Board of Directors. By virtue of their ability to perform their duties completely independent of any outside influence, the independent members on the board protect represent the interests of all shareholders, including those of minority shareholders.
- 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 payment policy and timing

- None of the Company's shares incorporate special rights concerning the distribution of the Company's profits. Each share of stock is entitled to an equal dividend.
- The proposal for 2006-year profits was announced in article 8 of the agenda for the general meeting and it was unanimously passed by the participants at that meeting.
- The company did not distribute dividends due to the fact that there was no attributable profit since the Company's profit generated on 2006 activities was set-off to cover prior years' losses.
- In accord with the dividend distribution policy established in the Board of Directors meeting held on 19 March 2007, the Company decided to distribute dividends that are equal to minimum 25% of the attributable profit in cash or in the form of bonus shares to the shareholders, including 2006-year profits. The amount of dividends to be distributed shall be proposed depending on national and global economic conditions and the Company's growth plan by the Board of Directors each year at the general meeting. The said policy was presented for the information of the shareholders at the general meeting for 2006 held on 18 May 2007.

7. Transfer of Shares

- The Company's articles of incorporation contain no provisions restricting the transfer of shareholding interests. Article 6 specifically states that there are no restrictions on the transfer of shares in the Company.

PART II: PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company disclosure policy

- Vestel Electronics Inc.'s public disclosure policy has been formulated in line with CMB Corporate Governance Principles and was presented for the information of investors as an appendix to the annual report at the annual meeting for 2004. This disclosure policy has been published on the corporate website.
- The issues addressed by the Company's public disclosure policy are summarized below:
 - The clarity, timeliness, and truthfulness of public announcements.
 - What information may be publicly disclosed.

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- The frequency and the ways in which information may be publicly disclosed.
- Relations of company's Board members and managers with the media.
- The effectiveness with which investors, shareholders, and other stakeholders are kept actively informed.
- Methods to ensure information flows within the Company.
- Meetings involving public disclosures.
- Matters to be discussed at general meetings.
- Principles governing publicly disclosed information about matters that may come up in the future.
- The Board of Directors has formulated and approved the Company's public disclosure policy. The Board of Directors is responsible for the oversight, review, and development of public disclosure policy.
- The Investor Relations Unit Director monitors and follows up on public disclosure policy.

9. Disclosure of material events

- A total of 23 material event disclosures were made in 2007. Neither CMB nor ISE requested any additional information concerning these disclosures.
- All of the Company's material event disclosures made at stock exchanges outside the country are simultaneously made in Turkey as well. Similarly, material event disclosures made to ISE and CMB are simultaneously made to the appropriate stock exchanges abroad.
- All material event disclosures were made in time and the Company was not subjected to any sanctions on this account.
- The Investor Relations Unit is responsible for making material event disclosures.

10. The corporate website and its content

- Vestel Electronics' corporate website was continued to be improved in 2007 in line with corporate governance principles. The corporate website contains all the information whose disclosure is stipulated in article 1.11.5 of section II of CMB Corporate Governance Principles. In addition, it also contains information that is not required by that article but which is deemed to be important from the standpoint of the Company's corporate governance principles.
- The Vestel corporate website is located at www.vestel.com.tr and is continuously kept up to date.

11. Disclosure of the Company's ultimate controlling shareholders

- The Company has no non-corporate ultimate controlling shareholders.
- The Company's shareholder structure is as follows:

Shareholders	% shareholding interest	Nominal value (TRY)
Collar Holding BV	51.59	82,079,631.683
Publicly held	48.41	77,020,255.277
Total	100.00	159,099,886.960

12. Public disclosure of those who may have access to insider information

- Information about the individuals who may have access to insider information about the Company is provided in the Company's corporate governance compliance report every year.
- Vestel is in complete compliance with rules governing insider trading as per capital market and related laws, regulations, and administrative provisions and takes all necessary measures to fulfill its responsibilities thereunder. For this purpose Vestel Electronics formulated an "Insider Trading Policy" and introduced it as a company regulation in early 2005. This policy has also been publicly disclosed on the corporate website.

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- The following is a list of the people who are in positions to have access to insider information about the Company:

Ahmet Nazif Zorlu	Chairman of the Board of Directors
Prof. Ekrem Pakdemirli	Vice Chairman of the Board of Directors
Şule Zorlu	Board Member
Dr. Yılmaz Argüden	Board Member
M. Cem Bodur	Board Member
Ömer Yüngül	Board Member & Chairman of the Executive Committee
Enis Turan Erdoğan	Board Member & Member of the Executive Committee
Ahmet Hızarcı	Statutory Auditor
Şerif Arı	Statutory Auditor
Cem Köksal	Member of the Executive Committee
Cengiz Ultav	Member of the Executive Committee
Levent Hatay	Member of the Executive Committee
İzzet Güvenir	Member of the Executive Committee
İhsaner Alkım	Member of the Executive Committee
Necmi Kavuşturan	Member of the Executive Committee
Özer Ekmekçiler	Member of the Executive Committee
Sertaç Beller	General Manager
Şeref Hamarat	Assistant General Manager for Planning & Logistics
Mehmet Keskiner	Assistant General Manager for Production
Ender Yüksel	Assistant General Manager for Procurements
Celal Özkul	Assistant General Manager for Applications Engineering and Quality
Samim Hünakıncı	Finance Officer
Cem Kadirgan	Financial Affairs Officer
Figen Çevik	Corporate Finance and Investor Relations Director
Coşkun Özkan	Internal Audit Manager
Şenol Toygar	Business Evaluation Officer
Hamdiye Yalçın	Accounting Manager
Raşit Çiloğlan	Budget Manager
Aykut Halit	Grant Thornton Independent Auditors
Emre Halit	Grant Thornton Independent Auditors
Fahrünnisa Arı	Arılar Independent Auditors

PART III: STAKEHOLDERS

13. Keeping stakeholders informed

- Stakeholders are continuously informed within the framework of the Company's public disclosure policy.
- Employees and management take part in periodically held meetings for the purpose of keeping employees actively informed about the Company. Attention is given to two-way communication with information flowing upward to management from employees as well as downward from management to employees. The Company adheres to an "open door policy" to keep channels of communication open between management and personnel. In addition, employees are also kept continuously informed by means of the Company's corporate intranet.
- Periodic meetings are held with customers and suppliers and all customers and suppliers are kept informed about company-related issues that may be of concern to them. The Company regularly organizes meetings for its dealers in order to measure customer satisfaction. In situations where it is deemed to be necessary, additional one-on-one and group meetings are also held.

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ CORPORATE GOVERNANCE COMPLIANCE REPORT

14. Stakeholder participation in management

- Stakeholders do not take part in management however attention is given to having employees take part in Board of Directors meetings at regular intervals in order to have first-hand access to their opinions.
- No model has been developed to include stakeholders in the Company's management. Stakeholders do not participate in management. However the independent members on the board protect and represent the interests of all stakeholders as well as those of the Company's shareholders.

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, training, career planning, and performance evaluation.
- The Human Resources Unit is responsible for the conduct and development of this policy. This unit keeps track of employee-related entitlements, promotions, career progression, training, and disciplinary action. At regular intervals but not less than once a year, the unit also conducts employee evaluations in line with specified performance criteria.
- Training programs are regularly conducted for the purpose of improving employees' productivity. Employees may also be sent to take part in extramural training programs.
- While there is no board member responsible for overseeing employee relations, individuals representing employees are invited to be present at board meetings at which issues affecting employees are to be decided on so that they may provide the board with information about the matter at hand.
- All employees are treated equally and without any discrimination whatsoever 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. The Human Resources Unit periodically conducts polls to measure employee satisfaction.

16. Relations with customers and suppliers

- The Company conducts regular meetings with its customers and suppliers concerning the marketing and sale of its goods and services. A Customer Communications Center has also been set up to deal with customers' problems and resolve them without delay. This center operates as a help desk and seeks to resolve problems that customers may have and refers any problem that cannot be resolved by the center to an appropriate company officer to be dealt with.
- The utmost importance is given to quality control to ensure the satisfaction of customers and suppliers and tight quality checks are made to achieve this. As is the case with the ISO 14001 system, the ISO 9000 system is also based on the principle of voluntary participation. This system is playing an important role in the changeover to Total Quality Management and represents the first step in that direction. Vestel regards Total Quality Management as being important to increasing the quality of life.
- Customer satisfaction is measured at regular intervals and corrective action is taken to resolve issues and deal with dissatisfaction when it occurs.
- In keeping with its TS-EN ISO 9001 certification, Vestel employs a quality management system that governs all processes and subprocesses from customer demand and market research to design, production, and after-sales services for the purpose of maximizing customer satisfaction at the highest level. As a company whose products' certified standards make the products fully capable of competing in world markets with their, Vestel is making an increasing effort to be the best player in the world league among its employees, customers, dealers, and suppliers.

17. Social responsibility

- Vestel Electronics Inc. undertakes social efforts in the form of contributions to services in education, sports and culture offered by Zorlu Holding, and as direct initiatives taken on by the company within the frame of social responsibility principle. The Zorlu Group, which also covers Vestel White Goods Inc., 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.
- Taking the responsibilities made incumbent upon it by its goal of being a world player in the consumer electronics sector, Vestel Electronics Inc. carries out environmental impact reviews of all its operations, production lines, and products. Vestel believes that it has a duty to be mindful of the health and safety of the employees, customers, and general public who may be affected by its activities, products, and services and to protect the environment and nature for the good of future generations. Vestel demonstrated the importance of this by being awarded its TS-EN ISO 14001

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Environmental Management System Certificate in 1998. The Company has pledged itself to continuously improve its performance on environmental issues, to prevent pollution, to strictly obey all environment-related laws, regulations, and administrative provisions, and to allocate sufficient and proper resources in its efforts to:

- Take environmental factors into account when evaluating new product projects and operations
- Reduce the use of harmful materials in its product design and production processes and to investigate the use of materials that are less polluting
- Reduce waste and wherever possible reuse, recycle, and recover resources that have been used
- Make the most economical use possible of energy, water, and natural resources through productivity increases and by encouraging the use of new technologies
- Use recycled/recyclable packaging materials whenever feasible
- Conduct activities aimed at fostering environmental awareness.

The underlying objective and approach of Vestel's environment policy are to protect and improve the quality of life of its employees and customers.

- During 2005 the Company was not the target of any suit concerning damage to the environment.

Part IV: The Board of Directors

18. Structure and composition of the Board of Directors; non-executive board members

Name	Position	Age	Term of office	Classification	Educational background	Previous Experience
Ahmet Nazif Zorlu	Chairman	63	1-3 years	Non-executive	Primary school	-
Ekrem Pakdemirli	Deputy Chairman	68	1-3 years	Independent	University	- Member of the Parliament - Deputy Prime Minister - Faculty member of Bilkent, Başkent and Ege Universities - Deputy Rector with Dokuz Eylül University
Şule Zorlu	Board Member	31	1-3 years	Non-executive	University	Served successively in various capacities in Zorlu Group companies
Ömer Yüngül	Board Member (General Manager)	52	1-3 years	Executive	University	Vestel White Goods
Enis Turan Erdoğan	Board Member	52	1-3 years	Executive	University	Ekinciler Holding
Recep Yılmaz Argüden	Board Member	49	1-3 years	Independent	University	- Chief Consultant to the Prime Minister - Chairman of Erdemir
M. Cem Bodur	Board Member	46	1-3 years	Non-executive	University	Ekinciler Holding (Finance Officer)

- Five of the board's seven members are non-executive members and two are executive members.
- The chairman of the board and the chief executive officer are different individuals. The chairman of the board is Ahmet Nazif Zorlu and the chief executive officer 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.

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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.
- At the annual general meeting for 2004, the Company's articles of incorporation were amended so that the minimum qualifications required of members of the Board of Directors are spelled out in them. (Article 12)
- To date there has been no need for a training or compliance program for board members. If such a program does become necessary, it will be carried out by the Corporate Governance Committee.

20. Mission, vision, and strategic goals of the Company

- Vestel Group's mission, vision, objectives, and values 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.
- 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 in light of previous performance. In the conduct of this review and assessment, the Board of Directors debates the degree to which objectives have been accomplished, the effectiveness of the Company's activities, past performance, and the Company's strategies. A Vestel executive responsible for business evaluation also sends the Executive Committee a monthly performance report.

21. Risk management and internal control mechanisms

- The Vestel Board of Directors has created a risk management mechanism within the Company to measure existing and potential risks and to deal with them. Embodied in this mechanism are controls that have been developed so as to identify the maximum risks to which the Company may become exposed in aggregate as well as on an individual unit basis and to take such measures as are needed for them.

The Vestel Electronics 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 the Company's articles of incorporation and are published on the Company's corporate website.

23. Principles of activity of the Board of Directors

- Agendas for board meetings are determined in line with the requests of the chairman and other members. Requests coming from company management are also influential in determining meeting agendas.
- As stipulated in article 16 of the articles of incorporation, the Board of Directors must meet at least twelve times a year. The board met a total of 12 times during the reporting period. The overall rate of attendance at these meetings was 90%. To 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 has been set up within the Company that is responsible to the Board of Directors. This secretariat notifies board members of meetings at least a week (seven days) in advance of the meeting date, providing them with the agenda and

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documents related to the matters on the agenda.

- A board resolution requires that differences of opinions arising at board meetings and reasonable and detailed justifications for dissenting votes be entered into the record; however to date there has never been an instance of this. The minutes taken by the board's secretariat also include any questions that members ask and the responses that are made to them.
- 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.

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.
- No board member did any business or competed with the Company in 2007.
- As required by corporate governance principles, in the event of any violation of the prohibition on board members' doing business or competing with the Company, the potential conflicts of interest will be publicly disclosed.

25. Code of ethics

- Vestel's code of ethics has been written up and published on the corporate website within the framework of its public disclosure policy. The 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 Electronics 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.

The Audit Committee

• The Audit Committee was set up by a Board of Directors resolution dated 17 May 2005 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. To ensure the independence of the committee, it has been decided to choose its head from among the Company's independent board members. In addition to independence, attention is also given to the possession of specific qualifications when choosing the committee head. 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. These issues have been included in the Company's articles of incorporation (Articles 35 and 36.)

- Ekrem Pakdemirli serves as the head of the Audit Committee and he has been elected from among independent members. The other member of the committee is Cem Bodur, a non-executive Board member.
- The Company's articles of incorporation set forth that the Audit Committee must meet at least four times a year (at least once in each quarter). The management secretariat is responsible for keeping records of the decisions taken by the Committee, as well as the minutes of its meetings.
- The Committee carries out its activities in line with the operating principles put into writing in detail.

Corporate Governance and Appointments Committee

- Based on the Board of Directors resolution dated 17 May 2005, Vestel Electronics Inc. set up a Corporate Governance Committee in line with the CMB's Corporate Governance Principles Communiqué. The Committee is responsible for monitoring the Company's compliance with corporate governance principles and for making proposals to the Board of Directors in relation to appointments to be made at the Company.

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- Yılmaz Argüden serves as the head of the Corporate Governance Committee, and he has been elected from among independent members. The other member of the committee is Şule Zorlu, a non-executive Board member.
- Attention is paid to ensure that the qualifications of the Committee members comply with those required of the Board members as set forth in the Corporate Governance Principles.
- The Corporate Governance Committee is required to meet at least three times a year.
- The Committee carries out its activities in line with the operating principles put into writing in detail. The activities carried out by the Corporate Governance and Appointments Committee in 2007 are presented below:
- Establishing corporate governance principles across the Company,
- Offering recommendations pertaining to the structure and effectiveness of the Board of Directors,
- Evaluation of the structures and operation of the Committees and making recommendations about the same,
- Structuring the Investor Relations Unit and coordinating its activities.

27- Financial benefits provided to the Board of Directors

- The attendance fees to be received by the members of the Board of Directors and the statutory auditors are determined every year by the General Assembly.
- Vestel Board of Directors members are being paid TRY 55,000 as of June 2007, commensurate with the practices of the peer companies in the sector. Statutory Auditors are paid an annual fee of TRY 2,412.
- The Company has not extended any loans or credits to any Board member or executive.

PROFIT DISTRIBUTION POLICY AND PROPOSAL

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

Profit distribution proposal for the 1 January 2007-31 December 2007 fiscal year

The Board of Directors of the firm of Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi was convened by chairman Ahmet Nazif Zorlu at the company's headquarters on 2 May 2008. The items on the agenda were discussed and the following resolutions were passed.

It is unanimously resolved by the members of the Board of Directors taking part in the meeting that:

Although the financial statements prepared in accordance with tax laws and Capital Markets Board communique XI:25 concerning accounting standards in capital markets show a profit, as a result of the emergence of prior-year losses in the company's financial statements on account of inflation adjustments made as of 31 December 2003 in accordance with CMB communique XI:21 and due to the need to set those losses off against 2007-year profits, no distributable profit remains and for that reason it has been decided to recommend to the general assembly that no dividend be paid.

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ STATUTORY AUDITOR'S REPORT SUMMARY

TO THE GENERAL ASSEMBLY OF VESTEL ELEKTRONİK TİCARET VE SANAYİ ANONİM ŞİRKETİ

Title of Association : VESTEL ELEKTRONİK TİCARET VE SANAYİ ANONİM ŞİRKETİ
Center : Zorlu Plaza, Avcılar – İstanbul
Capital : TRY 159,099,887
Field of Activity : Production of Electronic Equipment

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 : 6

Content of Audit, audit dates and result : Audits have been performed monthly on previous temporary
Balance Sheet accounts. It has been concluded that account
books are in compliance with the rules of Tax Procedure Law.

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 has been performed at following
dates; 24.07.2007, 25.10.2007, 28.12.2007, 29.01.2007, 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 Elektronik Ticaret ve Sanayi Anonim Şirketi at the period of
01.01.2007-31.12.2007 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 2007 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.

07.03.2008.



Şerif ARI
Auditor



Ahmet G. HIZARCI
Auditor

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ RESOLUTION OF THE BOARD OF DIRECTORS

RESOLUTION DATE : 02.05.2008
RESOLUTION NO : 2008/7
PARTICIPANTS : Ahmet Nazif Zorlu
Ekrem Pakdemirli
Şule Zorlu
Ömer Yüngül
Enis Turan Erdoğan
M. Cem Bodur

MEETING AGENDA:

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

The Board of Directors who convened for the meeting decided unanimously to accept the 2007 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



Ömer YÜNGÜL
Board Member



Ekrem PAKDEMİRLİ
Vice Chairman



Enis Turan ERDOĞAN
Board Member



Şule ZORLU
Board Member



M. Cem BODUR
Board Member

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED FINANCIAL STATEMENTS AT 31.12.2007 TOGETHER WITH AUDITOR'S REPORT

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Vestel Elektronik Sanayi ve Ticaret A.Ş. and its subsidiaries listed under note 1 (the "Group"), which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated statements of income, changes in equity and cash flow for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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.

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ INDEPENDENT AUDITOR'S REPORT

Conclusion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2007, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ergin Uluslararası Denetim ve Yeminli Mali Müşavirlik A.Ş.
Member Firm of GRANT THORNTON International



Aykut Halit
Partner

İstanbul, 14.04.2008

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEETS AT 31.12.2007 AND 2006

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

Assets	Note	2007	2006
Current assets			
Cash and cash equivalents	5	512.130	584.684
Trade receivables	6	1.134.997	1.349.794
Inventories	7	1.091.379	1.241.766
Other assets	8	203.431	233.667
Total current assets		2.941.937	3.409.911
Non-current assets			
Trade receivables		6.441	14.803
Investments	9	1.713	1.496
Property, plant and equipment	10	1.023.279	1.021.601
Intangible assets	11	301.844	267.513
Other assets	8	19.446	26.909
Deferred tax asset	16	42.304	36.113
Total non-current assets		1.395.027	1.368.435
Total assets		4.336.964	4.778.346

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEETS AT 31.12.2007 AND 2006

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

Liabilities and equity	Note	2007	2006
Current liabilities			
Borrowings	12	236.948	523.650
Trade payables	13	2.062.835	2.306.328
Taxation on income	16	11.642	7.317
Provision for expenses	14	58.474	46.286
Other liabilities	15	109.433	89.728
Total current liabilities		2.479.332	2.973.309
Non-current liabilities			
Borrowings	12	425.417	394.659
Reserve for retirement pay	17	19.208	21.447
Provision for expenses	14	11.700	8.871
Other liabilities		112	264
Deferred tax liability	16	56.841	57.613
Total non-current liabilities		513.278	482.854
Equity			
Share capital	18	576.862	576.862
Translation reserve		23.724	29.782
Minority interest		142.788	130.253
General reserves	19	600.980	585.286
Total equity		1.344.354	1.322.183
Commitments and contingencies	20		
Total liabilities and equity		4.336.964	4.778.346

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31.12.2007 AND 2006
 (All amounts in thousands New Turkish Lira ("YTL") unless indicated otherwise.)

	Note	2007	2006
Revenue		4.627.011	5.231.125
Cost of sales		(4.101.699)	(4.367.941)
Gross profit		525.312	863.184
Warranty expenses		(35.612)	(36.971)
Selling expenses		(417.484)	(444.726)
General and administrative expenses		(168.913)	(172.168)
Other income	21	49.857	43.006
Other expense	21	(48.120)	(14.990)
Operating profit		(94.960)	237.335
Financing income	22	849.227	336.990
Financing expense	22	(692.472)	(581.303)
Profit/(loss) before taxation		61.795	(6.978)
Taxation charge			
Current		(39.008)	(17.272)
Deferred		8.079	38.677
Taxation on income	16	(30.929)	21.405
Net profit for the year		30.866	14.427
Net profit attributable to:			
Equity holders of the Company		14.662	2.021
Minority interest		16.204	12.406
		30.866	14.427
Basic and fully diluted earnings per share (YKr)		0,2	0,1

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31.12.2007 AND 2006
 (All amounts in thousands New Turkish Lira ("YTL") unless indicated otherwise.)

	Share capital	Translation reserve	General reserves	Minority interest	Total equity
Balance at 01.01.2006	576.862	24.557	536.626	160.432	1.298.477
Translation difference	--	5.205	--	575	5.780
Public offering of Vestel White	--	--	47.202	(45.123)	2.079
Change in minority interest	--	--	(543)	543	--
Acquisition of subsidiaries	--	--	--	1.420	1.420
Net profit for the year	--	--	2.021	12.406	14.427
Balance at 01.01.2007	576.862	29.782	585.286	130.253	1.322.183
Translation difference	--	(6.058)	--	247	(5.811)
Change in minority interest	--	--	914	(914)	--
Acquisition of subsidiary	--	--	(117)	5.410	5.293
Gain on investments taken to equity	--	--	235	--	235
Dividends paid	--	--	--	(8.412)	(8.412)
Net profit for the year	--	--	14.662	16.204	30.866
Balance at 31.12.2007	576.862	23.724	600.980	142.788	1.344.354

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEARS ENDED 31.12.2007 AND 2006
 (All amounts in thousands New Turkish Lira ("YTL") unless indicated otherwise.)

	Note	2007	2006
Profit (loss) before taxation		61.795	(6.978)
Adjustment to reconcile profit (loss) before taxation to net cash provided from operating activities:	23	269.280	224.871
Operating profit before changes in working capital		331.075	217.893
Changes in operating assets and liabilities	23	149.774	(50.141)
Taxes paid		(34.683)	(21.985)
Net cash provided by operating activities		446.166	145.767
Cash flows from investing activities			
Acquisition of subsidiary		(3.775)	(1.619)
Purchase of investments		(117)	(71)
Purchases of property, plant and equipment		(162.124)	(215.781)
Purchases of intangible assets		(50.459)	(150.302)
Proceeds from sale of investments		--	4.833
Proceeds from sale of property, plant and equipment		2.498	54.422
Net cash used in investing activities		(213.977)	(308.518)
Cash flows from financing activities			
Changes in current borrowings		(296.249)	340.350
Changes in non-current borrowings		30.758	(130.938)
Interest received		37.284	39.608
Interest paid		(80.801)	(85.389)
Changes in minority interest		5.656	2.653
Dividends paid to minority interest		(8.412)	--
Net cash provided by (used in) financing activities		(311.764)	166.284
Translation differences		7.021	65
Net decrease in cash and cash equivalents		(72.554)	3.598
Cash and cash equivalents at beginning of year		584.684	581.086
Cash and cash equivalents at end of year		512.130	584.684

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR THEN ENDED 31.12.2007

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

1. ORGANISATION AND NATURE OF ACTIVITIES

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi (the "Company" or "Vestel Elektronik") was founded in March 1983 under the name of Ferguson Elektronik Sanayi ve Ticaret A.Ş. under the Turkish Commercial Code and was registered in İstanbul, Turkey. The name was changed to Star Elektronik Sanayi ve Ticaret A.Ş. during the same year. In April 1984 Polly Peck Group acquired the Company and changed its name to Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi which has been its current name. In 1990 18% of the Company's shares were issued to the public at the İstanbul Stock Exchange. The Company has been operating the Foreign Capital regulations in Turkey since July 1985. In 1991 Polly Peck Group transferred all of its shares to one of its subsidiaries named Collar Holding BV based in the Netherlands and in the same year, following the collapse of the Polly Peck Group, the Company was placed in administration. In November 1994 Ahmet Nazif Zorlu acquired the Company from the administrator of the Polly Peck Group by buying the entire share capital of Collar Holding BV which at the time held 82% of the Company's issued share capital.

The registered office address of the Company is located at Ambarlı, Petrol Ofisi Dolum Tesisleri Yolu, Zorlu Plaza, Avcılar/İstanbul-Turkey

For the purpose of the consolidated financial statements, the Company and its consolidated subsidiaries are referred to as the "Group".

Nature of Activities of the Group

The Group is organized into three production divisions given below;

A. Television production:

Vestel Elektronik Sanayi ve Ticaret A.Ş.

The Company is mainly engaged in the production of color televisions. The Company's production facilities are located in Manisa industrial site (Aegean Region, Turkey). As of the balance sheet date, production capacity for color televisions was 19.000.000 (2006: 14.300.000) units per year respectively.

B. Refrigerator, air conditioning units, washing machines and cookers

Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. ("Vestel White")

Vestel White started working actively in 1999 and has been engaged in the production of refrigerators, room air conditioning units, washing machines and cookers. Vestel White's production facilities are located in Manisa Organized industrial site (Aegean Region, Turkey). As of the balance sheet date, production capacity for refrigerators, room air conditioning units, washing machines, cooker and dishwasher unit was 3.000.000, 700.000, 2.000.000, 1.500.000 and 500.000 (2006: 2.500.000, 700.000, 2.000.000 and 1.000.000) units per year respectively.

Vestel CIS

During 2005, Vestel CIS commenced construction of white goods production facilities and started production by end of 2005.

C. Digital Devices

Vestel Komünikasyon Sanayi ve Ticaret A.Ş. ("Vestel Kom")

Vestel Kom is engaged in the production of DVD players, analogue and digital receivers and internet access devices. Vestel Kom's production facilities are primarily located in İzmir Aegean free zone industrial site. As of the balance sheet date, production capacity for digital devices was 6.900.000 (2006: 8.600.000) units per year.

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR THEN ENDED 31.12.2007

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

Vestel Dijital Üretim Sanayi A.Ş. ("Vestel Dijital")

Vestel Dijital is engaged in the production of, analogue and digital receivers, personal computers (PC) and internet access devices. Vestel Dijital's production facilities are located in Manisa industrial site. As of the balance sheet date, production capacity for digital devices, computer and panel was 2.640.000, 1.656.000 and 964.140 (2006: 3.700.000, 969.000, 964.140) units per year.

The Company has always exercised effective control over the management of each of the companies included in the group consolidation. The direct and indirect shareholding of Vestel Elektronik in their capital, are:

Consolidated company	Location	Field of activity	Shareholding (%)	
			2007	2006
Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.	Turkey	Manufacturing	72,6	72,6
Vestel Komünikasyon Sanayi ve Ticaret A.Ş.	Turkey	Manufacturing	99,3	99,3
Vestel CIS Ltd.	Russia	Manufacturing	100,0	100
Vestel Dijital Üretim Sanayi A.Ş.	Turkey	Manufacturing	99,3	99,3
Veseg Video Handelsgesellschaft GmbH	Germany	Marketing	99,7	50,8
Vestel France SA	France	Marketing	99,5	99,5
Vestel Iberia SL	Spain	Marketing	99,7	99,7
Vestel Dış Ticaret A.Ş.	Turkey	Marketing	99,7	99,7
Vestel Benelux BV	Netherlands	Marketing	50,8	50,8
Vestel UK Ltd.	England	Marketing	99,7	99,7
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	Turkey	Marketing	100,0	99,8
Vestel Italy SRL	Italy	Marketing	50,8	50,8
Vestel Holland BV	Netherlands	Marketing	99,7	99,7
Electronics Outlet SRL	Italy	Marketing	50,8	50,8
Vestek Elektronik Araştırma Geliştirme A.Ş.	Turkey	Marketing	94,0	94,0
Vestel Trade Ltd.	Russia	Marketing	100,0	100,0
OY Vestel Scandinavia AB	Finland	Marketing	99,7	--
Vestel Savunma Sanayi A.Ş.	Turkey	Software	29,9	10,0
Cabot Communications Ltd.	UK	Software	90,8	90,9
Cabot İzmir Donanım Sanayi ve Ticaret A.Ş.	Turkey	Software	52,7	52,7
Aydın Yazılım Elektronik ve Sanayi A.Ş.	Turkey	Software	18,0	6,0
Birim Bilgi İşlem ve Müşavirlik Ticaret A.Ş.	Turkey	Software	45,0	55,0
Deksar Multimedya ve Telekomünikasyon A.Ş.	Turkey	Information	99,9	99,9
Deksarnet Telekomünikasyon A.Ş.	Turkey	Information	99,9	--
Intertechnika LLC	Russia	Operational Leasing	99,9	--

Vestel Savunma Sanayi A.Ş., Aydın Yazılım Elektronik Sanayi ve Ticaret A.Ş. and Birim Bilgi İşlem ve Müşavirlik Ticaret A.Ş. with group shares of respectively 29,9%, 18% and 45% are consolidated because they are under the effective control and management of the Group.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

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

The Company, which is quoted on the İstanbul Stock Exchange, maintains its books of account and prepares its statutory financial statements in accordance with the Turkish Commercial Code, accounting policies prescribed by the Turkish Capital Markets Board and tax legislation and since 1994 has adopted the Uniform Chart of Accounts issued by the Ministry of Finance (collectively "Turkish Practices"). Its subsidiaries which are incorporated in Turkey maintain their books of account and prepare their statutory financial statements in accordance with the Turkish Commercial

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR THEN ENDED 31.12.2007

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

Code and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The foreign subsidiaries maintain their books of account and prepare their statutory financial statements in their local currencies and in accordance with the regulations of the countries in which they operate. The financial statements of overseas subsidiaries are converted into New Turkish Lira (YTL) by closing rate method. The consolidated financial statements have been prepared from statutory financial statements of the Company and its subsidiaries and presented in New Turkish Lira (YTL) with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS. Such adjustments mainly comprise deferred taxation, employee termination benefits, fixed assets and borrowing costs, receivables, interest expense accruals on bank loans.

Measurement currency and reporting currency

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

The restatement for the changes in the general purchasing power of YTL as of 31 December 2005 is based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms. One characteristic (but not limited to) that necessitates the application of IAS 29 is a cumulative three year inflation rate approaching or exceeding 100%. As of 31 December 2005, the three year cumulative rate has been 36% (31 December 2004: 70% - 31 December 2003: 181%) based on the Turkish countrywide wholesale price index published by the State Institute of Statistics.

As of 1 January 2006, it has been decided to discontinue the adjustment of financial statements for inflation after taking into account that hyperinflation period has come to an end as indicated by existing objective criteria and, that other signs indicating the continuance of hyperinflation have largely disappeared the financial statement as of 31 December 2006 have therefore, not been subjected to any adjustment for inflation.

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

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

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

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:

Group accounting

Subsidiary undertakings

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company. Control is achieved where the company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR THEN ENDED 31.12.2007
 (All amounts in thousands of New Turkish Lira ("YTL") unless indicated otherwise.)

On acquisition, assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of their fair values of the assets and liabilities recognized.

The balance sheet and income statement of the subsidiaries are consolidated on a line by line basis, and the carrying value of the investment held by the Company is eliminated against related equity and reserves accounts.

All significant inter-company transactions and balances between group enterprises are eliminated on consolidation. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

Foreign currency translations

Foreign currency transactions and translation - Transactions in foreign currencies during the period have been translated into YTL at the exchange rates prevailing at 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 income or expense accounts as appropriate.

The foreign exchange rates used by the Company are as follows:

	2007	2006
US Dollar	1,1647	1,4056
EURO	1,7102	1,8515

Foreign entities - Foreign consolidated subsidiaries are regarded as foreign entities since they are financially, economically and organizationally autonomous. Their reporting currencies are the respective local currencies. Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the balance sheet and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences between the closing balances and opening balances due to the difference in inflation and devaluation are included in currency translation adjustment in equity.

Property, plant and equipment

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.

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR THEN ENDED 31.12.2007

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

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:

	Years
Land improvements	10 to 20
Buildings	25 to 50
Machinery, equipment and moulds	10 to 15
Furniture and fixtures	5 to 12
Motor vehicles	5 to 10

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. 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.

Leases

Finance lease - 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.

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

Intangible assets

Goodwill - Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of Vestel Dayanıklı Tüketim Malları ve Pazarlama A.Ş., Vestel Dış Ticaret A.Ş., Vestel Komünikasyon Sanayi ve Ticaret A.Ş., Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. and Birim Bilgi Teknolojileri Ticaret A.Ş. at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

On disposal of a subsidiary the attributable amount of unamortized goodwill is included in the determination of the profit or loss on disposal.

Research and development costs - Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible

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assets to the extent that the expenditure is expected to generate future economic benefits. Development costs that have been capitalized are amortized on straight line basis over 5 years which is the estimated period over which technology is expected to lead the market and have commercial value. The carrying values of capitalized research and development expenditure are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Other intangible assets - These are amortized using the straight line basis over their useful lives which vary between 5 to 10 years.

Impairment of intangible assets - Where an indication of impairment exists, the carrying amount of any intangible asset including goodwill is assessed and written down immediately to its recoverable amount.

Investments

All investments are initially recognized at fair value. Unconsolidated investments which are not quoted at any stock exchange are stated at cost less any required reserve for impairment as their fair value cannot be reliably determined.

For investments that are actively traded in organized financial markets, fair value is determined by reference to Stock Exchange quoted market average of the closing bid prices at the balance sheet date.

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 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.

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.

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.

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 principle owners, management and members of the Company's Board of Directors and their families. In the course of conducting its business, the Company conducted various business transaction with related parties on commercial terms.(see note 24).

Bank borrowings

Interest-bearing bank loans and overdrafts are recognized at fair value at initial recognition which equate to the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accruals 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.

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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.

Commitments and contingencies

Transactions that may give rise to contingencies and commitments are those where the outcome and the performance of which 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 virtually certain that the gain will be realized.

Use of estimates

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. Estimation have been used mainly for provision for possible losses due to lawsuits, warranty provision, provision for retirement pay, doubtful receivables and deferred tax assets. Estimations have been made on basis previous experience and other appropriate data supplied by the management.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group manufactures and sells a range of television sets and monitors, electronic devices and white goods in the wholesale market. Sales of goods are recognized when a group entity has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provision have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Other revenues earned by the Company are recognized on the following bases:

Rental income - on an accrual basis.

Interest income - on an effective yield basis.

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.

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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.

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.

Provisions

Employee benefits - Under Turkish labor law, the Company and its Turkish subsidiaries are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who retires in accordance with social insurance regulations or is called up for military service or dies. The reserve for retirement pay is made for the maximum amount payable to employees, based on their accumulated period of service at the balance sheet date.

Warranty - The Company recognizes the estimated liability to repair or replace products still under warranty at the balance sheet date. The provision is calculated based on past history of level of repairs and replacements.

Other 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.

Earnings per share

Earnings per share ("EPS") disclosed in the income statements are determined by dividing net income by the weighted average number of shares that have been outstanding during the related year or period and taking into account bonus issues and right issues. There is no difference between basic and diluted earnings per share for any class of shares for any of the years.

Cash and cash equivalents

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

4. EARNINGS PER SHARE

	2007	2006
Net profit attributable to shareholders	30.866	14.427
Weighted average number of ordinary shares in issue ('000)	15.909.989	15.909.989
Basic and diluted earnings per share (YKr)	0,2	0,1

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5. CASH AND CASH EQUIVALENTS

	2007	2006
Cash at bank and in hand	175.972	118.617
Time deposits	320.385	455.875
Other	15.773	10.192
	512.130	584.684

The maturity of time deposits was vary between 01 January and 30 June 2008; the interest rate varied between 2% and 5,6% per year for foreign currency and between 14,9% and 18,3% for New Turkish Lira per year (2006: was between 2,7% and 5,9% per year for foreign currency and between 15,6% and 19,8% for New Turkish Lira per year).

6. TRADE RECEIVABLES

	2007	2006
Current		
Current accounts		
- Third parties	858.055	1.012.263
- Related parties, note 23	15.799	1.154
Notes receivable		
- Third parties	296.505	368.669
Others	4.364	1.758
	1.174.723	1.383.844
Unearned interest on receivables (-)	(19.058)	(20.311)
Allowance for doubtful receivables (-)	(20.668)	(13.739)
	1.134.997	1.349.794

The movement of doubtful receivables is given below:

	2007	2006
Beginning balance	13.739	8.982
Charge for the year	8.251	6.302
Amounts utilized during the year	(1.322)	(1.545)
Ending balance	20.668	13.739

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7. INVENTORIES

	2007	2006
Raw materials	406.430	487.144
Work in process	45.793	42.241
Finished goods and merchandise	468.968	514.430
Spares and supplies	11.634	8.604
Goods in transit	178.848	197.901
	1.111.673	1.250.320
Provision for diminution in value	(20.294)	(8.554)
	1.091.379	1.241.766

The cost of inventories recognized as expense and included in cost of sales during the year amounted to YTL 3.333.667 (2006: 3.174.986)

8. OTHER ASSETS

	2007	2006
Current		
Prepaid expenses	23.518	25.019
Income accruals	1.004	6.445
VAT receivable	115.289	107.361
Work advances	2.636	1.549
Due from personnel	523	461
Due from related parties, note 23	2.079	911
Deferred project expenses	44.554	23.618
Receivables from insurance company	2.912	52.495
Prepaid taxes	2.444	12.960
Other	8.472	2.848
	203.431	233.667
Non-current		
Prepaid expenses	19.446	26.899
Other	--	10
	19.446	26.909

The property, plant and equipment related to TV division and a part of white good production division, a part of stocks of finished goods, components and raw materials of Vestel CIS Ltd. (Russia), a 100% subsidiary of the Company were destroyed as a result of fire on 14 November 2005. During 2007, the insurance companies agreed to pay a sum of USD 28.000 thousand (YTL 32.611 thousand) with respect to assets affected by the said fire and the resulting business interruption. As of 31 December 2007 the remaining balance receivable from the above mentioned insurance claims by Vestel CIS amounted YTL 2.912 which was duly collected during January-April 2008.

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9. INVESTMENTS

	2007	2006
Unconsolidated investments	35	52
Other investments	1.678	1.444
	1.713	1.496

Unconsolidated investments	Country	Share %		Amount	
		2007	2006	2007	2006
Vestpro Electronics SA	Romania	52%	52%	301	301
Vestel USA Inc.	USA	100%	100%	233	233
Vestel Elektronika SRL	Romania	100%	100%	19	19
Vestel India	India	100%	100%	10	10
OY Vestel Skandinavia AB	Finland	--	--	--	17
Uts-United Technical Services, S.R.O	Slovakia	60%	--	6	6
				569	586
Allowance for diminution in value (-)					
Vestpro Electronics SA				(301)	(301)
Vestel USA Inc.				(233)	(233)
				35	52

The above companies in which the Company has a controlling interest or significant influence are not consolidated because:

- Vestpro Electronics SA and Vestel USA Inc. have been inactive since 2002.
- Vestel Elektronika SRL, Vestel India and Uts-United Technical Services, S.R.O are newly established inactive companies.

OY Vestel Skandinavia AB is consolidated to the accompanying financial statements as from 1 January 2007

Unconsolidated investments	Country	Share %		Amount	
		2007	2006	2007	2006
Other investments					
Zorlu Enerji Elektrik Üretim A.Ş.	Turkey	Less than 1%	Less than 1%	1.603	1.369
Tursoft A.Ş.	Turkey	7%	7%	13	13
Zorlu Endüstriyel Enerji A.Ş.	Turkey	1%	1%	50	50
İzmir Teknoloji Geliştirme A.Ş.	Turkey	5%	5%	12	12
				1.678	1.444

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10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Cost						
Balance at 01.01.2006	213.633	1.224.573	4.433	83.066	76.698	1.602.403
Additions	40.164	79.795	1.681	25.838	58.486	205.964
Disposals	(144)	(3.897)	(627)	(238)	(43.248)	(48.154)
Acquisition of subsidiary	--	--	235	4.558	--	4.793
Translation differences	976	934	--	300	8.153	10.363
Transfers	1.761	42.608	--	1.379	(45.748)	--
Balance at 31.12.2006	256.390	1.344.013	5.722	114.903	54.341	1.775.369
Additions	5.698	44.998	1.037	27.179	83.212	162.124
Disposals	--	(6.479)	(478)	(3.762)	--	(10.719)
Acquisition of subsidiary	1.652	48	--	12	--	1.712
Translation difference	(6.015)	(3.679)	(194)	(387)	(2.386)	(12.661)
Transfers	28.213	72.150	36	1.418	(102.523)	(706)
Balance at 31.12.2007	285.938	1.451.051	6.123	139.363	32.644	1.915.119
Accumulated depreciation						
Balance at 01.01.2006	22.650	548.108	1.794	55.818	--	628.370
Additions	10.212	104.229	916	9.505	--	124.862
Disposals	(29)	(2.040)	(490)	(217)	--	(2.776)
Acquisition of subsidiary	--	--	89	2.677	--	2.766
Translation differences	132	179	--	235	--	546
Balance at 31.12.2006	32.965	650.476	2.309	68.018	--	753.768
Additions	6.877	122.712	1.105	16.622	--	147.316
Disposals	(29)	(4.308)	(227)	(2.919)	--	(7.483)
Acquisition of subsidiary	--	293	--	--	--	293
Translation difference	(93)	(1.752)	(56)	(153)	--	(2.054)
Balance at 31.12.2007	39.720	767.421	3.131	81.568	--	891.840
Net book value as of						
31.12.2006	223.425	693.537	3.413	46.885	54.341	1.021.601
31.12.2007	246.218	683.630	2.992	57.795	32.644	1.023.279

Leased assets included in the table above comprise plant and machinery amounting to YTL 24.986 (2006: YTL 28.785) net of accumulated depreciation. Leased assets are pledged as security for the related finance lease obligations.

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. Significant portion of the construction-in-progress balance represented investment made in Vestel White to increase its refrigerator and washing machine production capacity and new investment made in cooker and dishwasher segment during 2006 and 2007 and new investment related to fire damaged Vestel CIS plant (Russia) used for television production which was affected by fire on 14 November 2005.

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11. INTANGIBLE ASSETS

	Goodwill	Research and development cost	Other intangible assets	Total
Cost				
Balance at 01.01.2006	74.125	38.546	154.031	266.702
Additions	128.387	12	21.531	149.930
Disposals	--	(6.557)	(1.376)	(7.933)
Acquisition of subsidiary	--	--	47	47
Translation differences	384	--	305	689
Balance at 31.12.2006	202.896	32.001	174.538	409.435
Additions	816	44.075	6.384	51.275
Disposals	--	(1.175)	(13)	(1.188)
Translation difference	(846)	--	(659)	(1.505)
Transfers	--	645	61	706
Balance at 31.12.2007	202.866	75.546	180.311	458.723
Accumulated amortization				
Balance at 01.01.2006	14.044	7.874	106.308	128.226
Additions	--	5.481	9.127	14.608
Disposals	--	--	(1.237)	(1.237)
Acquisition of subsidiary	--	--	8	8
Translation differences	51	--	266	317
Balance at 31.12.2006	14.095	13.355	114.472	141.922
Additions	--	2.033	13.075	15.108
Disposals	--	--	(2)	(2)
Acquisition of subsidiary	--	--	--	--
Translation difference	(103)	--	(46)	(149)
Transfers	--	--	--	--
Balance at 31.12.2007	13.992	15.388	127.499	156.879
Net book value as of				
31.12.2006	188.801	18.646	60.066	267.513
31.12.2007	188.874	60.158	52.812	301.844

On 26 December 2007 Vestel CIS acquired 99.9% of shares of Intertechnika LLC for a cash payment of RUR 50 222 thousand.

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Goodwill arising in 2007 on acquisitions and the net assets acquired of the company mentioned above is given below:

Intertechnika LLC	
Purchase consideration	4.591
Group share of net assets acquired	(3.775)
Positive goodwill	816

As of 31.12.2006, the share value of Vestel White was established on basis of prices from invitations for submission of price quotations between 11-12 April 2006 and the value thus ascertained was YTL 3.20 (full) per share. The Company purchased 89.699.993 shares (65% of capital) of Vestel White which were held by Zorlu Holding A.Ş. and Zorlu Family at YTL 3.20 (full) each on 13 April 2006 and consequently became the 100% owner of the shares in Vestel White. At the same time the share capital of Vestel White was increased by YTL 52.000 (52.000.000 shares) to YTL 190.000 and 59.800.000 shares were sold through public offering on 21 April 2006 at the price of YTL 3.20 (full) per share. Subsequently 7.800.000 shares were reacquired at the Istanbul Stock Exchange and therefore the interest of minorities in Vestel White was reduced to 27.4%.

On 3 May 2006, Company acquired 2.750.000 shares (55% of capital) of Birim Bilgi İşlem for YTL 1.990.

Goodwill arising in 2006 on acquisitions and the net assets acquired of the companies mentioned above is given below:

	Vestel White	Birim Bilgi İşlem	Total
Purchase consideration	287.040	1.990	289.030
Group share of net assets acquired	(158.958)	(1.685)	(160.643)
Positive goodwill	128.082	305	128.387

In mid 2001, the Company established the Digital Research and Development Department within Aegean Free Zone-İzmir to contribute to the expansion of the product range in line with technological developments. The Department continues development of digital satellite receivers with common Interface and Personal Video Recording (PVR) capabilities, digital terrestrial receivers, DVD A/V receivers and recordable DVD players in Vestel Komünikasyon A.Ş. and Vestel Elektronik A.Ş. Research and Development Department in Manisa continues development of Integrated Digital TV (DTV), Hybrid TV, Digital TV, TV-DVD, Large Digital TV and Large Flat Screen TV.

Development costs principally comprise internally generated expenditure on development costs on the above projects where it is reasonably anticipated that costs will be recovered through future commercial activity.

Other intangible assets include mainly expenditure on computer software, rights and trade marks.

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12. BORROWINGS

	Current		Non-current	
	Foreign Currency	YTL Equivalent	Foreign Currency	YTL Equivalent
2007				
New Turkish Lira bank loans		3.439		--
Foreign currency bank loans				
-USD ('000)	112.889	131.482	287.707	335.093
-EUR ('000)	59.078	101.035	52.755	90.223
Finance lease liabilities, net				
-USD ('000)	610	710	--	--
-EUR ('000)	165	282	59	101
		236.948		425.417
2006				
New Turkish Lira bank loans	--	1.649	--	--
Foreign currency bank loans				
-USD ('000)	183.712	258.226	235.280	330.710
-EUR ('000)	141.236	261.498	33.976	62.907
Finance lease liabilities, net				
-USD ('000)	1.373	1.930	610	857
-EUR ('000)	187	347	100	185
		523.650		394.659

The effective interest rates of foreign currency loans and New Turkish Lira loans vary between 3% and 13,4% (2006:3% and 12,9%), respectively.

Summary maturity schedule of bank borrowings is given below:

	2007	2006
Due in one year	236.948	523.650
One to two years	80.148	36.340
Two to three years	16.135	19.139
Three to four years	37.333	12.809
Four to five years	282.113	7.754
Over five years	9.688	318.617
	662.365	918.309

Letters of guarantee and notes amounting to YTL 27.568 (EUR 16.120 thousand) have been given as collateral for Turkish Eximbank and other credits (2006: YTL 35.113 (EUR 18.965 thousand)).

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Payment schedule of finance lease liabilities is given below:

	2007	2006
Finance lease liabilities - minimum lease payments:		
Payable with in one year	1.021	2.438
Payable later then one year and not later than four years	994	1.069
	2.015	3.507
Future finance charges on finance leases	(38)	(188)
Present value of finance lease liabilities	1.977	3.319

The present value of finance lease liabilities is as follows:

Payable with in one year	992	2.277
Payable later then one year and not later than four years	101	1.042
	1.093	3.319

13. TRADE PAYABLES

	2007	2006
Current		
Current accounts		
- Third parties	1.473.400	1.844.403
- Related parties, note 23	3.671	3.964
- Letters of credit	266.498	219.417
- Letters of credit discounted	248.374	197.639
Notes payable		
- Third parties	73.627	45.535
Other	1.024	118
	2.066.594	2.311.076
Unearned interest on payables (-)	(3.759)	(4.748)
	2.062.835	2.306.328

14. PROVISION FOR EXPENSES

	2007	2006
Current		
Warranty provision	38.397	35.485
Expense accruals	20.077	10.801
	58.474	46.286
Non-current		
Warranty provision	11.700	8.871

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The movement of provisions is as follows:

	Warranty expense	Expense accruals
Opening balance	44.356	10.801
Additions	41.353	20.077
Disposals	(35.612)	(10.801)
Closing balance	50.097	20.077

15. OTHER LIABILITIES

	2007	2006
Income tax and social security payables	23.468	32.809
Advances received	27.724	17.489
Deferred project income	45.654	31.007
Due to personnel	8.576	3.665
Other	4.011	4.758
	109.433	89.728

16. TAXATION ON INCOME

In Turkey, the corporation tax rate on the profits for the calendar year 2007 is 20% (2006: 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 YTL 6.000) purchased after 24 April 2003 (investment allowances) from their taxable profits as investment incentive. Such investment deduction is also not subject to income tax withholding. The investment deductions not used in any year because of insufficient profits may be carried to future periods. Investment allowances related to fixed assets purchased or to be purchased under Investment Incentive Certificates granted or applied for before 24 April 2003, may be based on up to 100% of the investment value in fixed assets, but these are subject to tax at 19.8%. Investment allowances have been cancelled as from 1 January 2006 but investment allowances earned prior to this date may be used up to 31 December 2008; any balance unused after this date may not be carried forward; if this option is exercised the balance of taxable profit after deduction of investment allowances is to be taxed at 30%.

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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.

The taxation liabilities of foreign subsidiaries are calculated in accordance with the regulations of the respective country where the subsidiary is situated, as follows:

Country	% of taxable profit
Germany	39,62
France	33,33
The Netherlands	24,00
UK	30,00
Spain	35,00
Italy	37,45
Russia	20,00

As of 31.12.2007 and 2006, taxation on income for the year is reconciled to the profit per income statements as follows:

	2007	2006
Profit (loss) before tax	57.272	(6.978)
Corporation tax using applicable tax rates	39.008	17.272
Disallowable expenses	37.963	41.446
Income not subject to tax	(45.303)	(70.674)
Investment allowances	--	(8.253)
Research and development allowances	(739)	(1.196)
Taxation on income	30.929	(21.405)

The Group'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	39.008	17.272
Prepaid taxes (-)	(27.366)	(9.955)
	11.642	7.317
Deferred tax asset	(42.304)	(36.113)
Deferred tax liability	56.841	57.613
	26.179	28.817

Deferred taxation

The Group 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.

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

	Cumulative temporary difference		Deferred tax	
	2007	2006	2007	2006
Deferred tax asset				
Warranty expense provision	43.953	38.039	8.791	8.192
Retirement pay provision	18.854	19.588	3.780	4.192
Unearned interest on receivables	19.237	21.034	3.847	4.296
Capitalized financing expenses written off on inventory and fixed assets	21.748	20.057	4.378	5.921
Finance lease liabilities	--	4	--	1
Provision for doubtful receivables	17.382	12.750	3.476	2.550
Accrued expenses	9.066	17.846	1.813	3.569
Taxable loss carried forward	36.155	10.205	7.760	2.041
Prepaid expenses	12.377	--	2.475	--
Other	26.354	25.208	5.984	5.351
			42.304	36.113
Deferred tax liability				
Temporary differences arising from restating non-monetary assets	269.219	245.578	53.931	53.875
Unearned interest on payables	8.584	15.891	1.717	3.309
Other	9.568	1.798	1.193	429
			56.841	57.613
			(14.537)	(21.500)

The movement of deferred tax liability is given below:

Opening balance	(21.500)	(60.723)
Acquisition of new subsidiary	--	610
Deferred tax income	8.079	38.677
Translation difference	(1.116)	(64)
Closing balance	(14.537)	(21.500)

17. PROVISION FOR RETIREMENT PAY

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 YTL 2.030,19 as of 2007 (2006: YTL 1.857,4) on historical cost basis).

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

In the accompanying consolidated 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 Group has no other obligation for employee termination other than the retirement pay above.

	2007	2006
Opening balance	21.447	18.456
Charge for the year	6.322	5.387
Consolidated entity	--	788
Disposals	(8.561)	(3.184)
Closing balance	19.208	21.447
Number of personnel employed at year end:	9.945	11.686
Personnel cost:		
Gross salaries, wages, and employer's share of social insurance	251.688	240.296
Key personnel salaries and other short term benefits	12.160	8.881

18. SHARE CAPITAL

The authorized share capital of the Company comprised 22.000.000.000 shares of par value YKr 1 each at 31.12.2007 and the issued and paid up share capital of the Company comprised 15.909.988.696 shares of par value YKr 1 each at 31.12.2007 and 2006.

As of the balance sheet dates the shareholders of the Company and their percentage shareholdings is given below:

	Shareholding %	Shareholding amount
Collar Holding BV	52%	82.082
Other shareholders	48%	77.018
Share capital	100%	159.100
Inflation adjustment of share capital		417.762
		576.862

The ultimate parent of the Company is Collar Holding BV which is located at Park Laan 1 3016 BA Rotterdam, Netherlands.

19. GENERAL RESERVES

General reserves comprise legal reserves and retained earnings.

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Under the Turkish Commercial Code, the Company is required to create the following legal reserves from appropriations of earnings, which are available for distribution only in the event of liquidation or losses:

First legal reserve, appropriated at the rate of 5%, until the total reserve is equal to 20% of issued and fully paid up share capital.

Second legal reserve, apportioned at the rate of at least 10% of distributions in excess of 5% of issued share capital, without limit. It may be used to absorb losses.

20. COMMITMENTS AND CONTINGENCIES

a) At 31.12.2007 the Group had contingent liabilities of YTL 189.439 (2006: YTL 169.868) in respect of letters of guarantee obtained from local banks and submitted to various customs and state authorities for import and Turkish Eximbank credits.

b) Due to the export and investment incentive certificates obtained, the Group has committed to realize exports amounting to USD 233.025 thousand (2006: USD 333.445 thousand) as of the balance sheet date.

c) 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 Group continues until such clearance however no liability has arisen in the past and no liability is reasonably expected for the future. The amount of postponed VAT at 31.12.2007 was YTL 214.034 (2006: YTL 185.176).

d) The Group signed a loan agreement with Vakıflar Bankası for USD 97,5 million as a facility for letters of credit which has not been utilized as no need has arisen in this respect. Group companies are guarantors to the agreement.

e) Claims from court cases started by the group and pending as of 2007 amounted to YTL 21.556. Claims from court cases started and pending against the group as of the same date was YTL 2.226.

Included among the court cases started by the group are receivables totaling YTL 22.100 and tax claim of YTL 1.081 which have been provided for in full. In addition a provision of YTL 1.195 has been set aside in respect of court cases opened against the group.

f) A lawsuit has been initiated against the Group by a company engaged in the production of household appliances in respect of a patent certificate for a minor component used in refrigerators. The Group has initiated a counter lawsuit with a claim to cancel the patent certificate from the related registry and invalidity of the same. The lawsuits are still pending and at the stage of expert evaluation. No amount has been provided in respect of these lawsuits.

g) Vestel CIS Limited's property, plant and equipment used for television production, part of finished goods, components and raw materials were destroyed by a fire on 14 November 2005. The situation related to the fire at Vestel CIS Ltd. (Russia) has been explained under note (8) above. The white goods factory of Vestel CIS was also damaged as a result of fire on 14 November 2005. Additionally, Vestel CIS Ltd is negotiating with relevant tax authorities a VAT reclaim on the destroyed properties. Pending the outcome of negotiations (and possible litigation) between Vestel CIS Ltd and tax authorities, it is not possible to determine the amount that will be recovered under these claims.

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h) Total obligation of the Group related to operational lease agreements amounted to YTL 2.668 (2006: YTL 2.514) per year.

The obligation spreads over next these years.

21. OTHER INCOME

	2007	2006
Scrap sales	1.749	9.333
Export commission and freight related income	20.818	14.509
Profit on sale of property, plant and equipment	1.515	2.896
Profit on sale of investments	--	3.189
Provisions	5.957	2.109
Other	19.818	10.970
Other income	49.857	43.006
Idle capacity expenses	(5.769)	(2.692)
Loss on sale of property, plant and equipment	(3.440)	(548)
Insurance expense	(6.303)	--
Other	(32.608)	(11.750)
Other expense	(48.120)	(14.990)
	1.737	28.016

The property, plant and equipment for TV production, a part of stocks of finished goods, components and raw materials of Vestel CIS Ltd. (Russia), a 100% subsidiary, were destroyed as a result of fire on 14 November 2005. The outcome of negotiations between Vestel CIS Ltd and the insurance company is finalized for the TV factory and as a result a loss of YTL 6.303 is recorded under other expense.

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22. FINANCING INCOME AND FINANCING EXPENSE

	2007	2006
Foreign exchange gain	784.662	276.280
Interest income	37.284	39.608
Profit on forward contracts	--	25
Unearned interest on payables	27.045	21.077
Other	236	--
Financing income	849.227	336.990
Foreign exchange loss	(504.931)	(370.161)
Interest expense	(89.928)	(95.841)
Letters of credit expenses	(40.920)	(34.541)
Finance lease interest expense	(420)	(443)
Factoring expenses	(7.865)	(6.353)
Loss on forward contracts	--	(2.298)
Bank commission expenses	(11.134)	(17.683)
Unearned interest on receivables	(23.052)	(28.207)
Other financing expenses	(14.222)	(25.776)
Financing expense	(692.472)	(581.303)
Financing income (expense), net	156.755	(244.313)

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23. SUPPLEMENTARY CASH FLOW INFORMATION

	2007	2006
Adjustment to reconcile net income to net cash provided from operating activities:		
Depreciation of property, plant and equipment	147.316	124.862
Amortization of intangible assets	15.108	14.608
Profit on sale of property, plant and equipment	(1.515)	(2.896)
Loss on sale of property, plant and equipment	3.440	548
Loss on sale of investments	--	(3.189)
Provision for retirement pay	6.322	5.387
Provision for doubtful receivables	8.251	6.302
Interest expense	90.348	96.284
Interest income	(37.284)	(39.608)
Warranty provision	5.741	5.104
Unearned interest on receivables	(1.253)	5.608
Unearned interest on payables	989	(1.463)
Provision for diminution in value of inventories	11.740	2.523
Provision for expense accruals	20.077	10.801
	269.280	224.871
Depreciation expense and amortization charge:		
Cost of sales	124.168	114.858
Selling expenses and general and administrative expenses	38.256	24.612
	162.424	139.470
Changes in operating assets and liabilities:		
Trade receivables	217.715	14.512
Inventories	138.647	(214.214)
Other assets	37.716	(31.299)
Trade payables	(244.495)	237.559
Other liabilities	191	(56.699)
	149.774	(50.141)

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Acquisition of subsidiary:

During 2007 and 2006 the Group acquired Intertechnika LLC and Birim Bilgi İşlem. The fair value of assets acquired and liabilities were as follows:

	Intertechnika LLC	Birim Bilgi İşlem
Current assets	1.580	11.692
Non-current assets	2.235	3.062
Total liabilities	(13)	(11.386)
Total net assets acquired	3.802	3.368
Minority share (-)	(1)	(1.378)
Total purchase price	3.801	1.990
Less: Cash and cash equivalents	(26)	(371)
Cash flow on acquisition net of cash acquired	3.775	1.619

24. RELATED PARTY DISCLOSURE

These comprised the following:

a) The significant balances with related parties at year end are shown below:

Related party	Shareholding %	Due from related parties		Due to related parties	
		Trade receivables	Other assets	Trade payables	
2007					
Zorpet Petrogaz, Petrol, Gaz ve Petrokimya A.Ş.	See below *	5	--	343	
Vestel USA Inc.	100%	--	13	--	
Teds International	See below **	--	375	--	
L-3 Communications Investments	See below **	--	--	1.116	
Due to shareholders		--	255	--	
Vestel Elektronika SRL	100%	13.951	516	--	
UTS-United Technical Services, Spol.S.R.O	60%	215	141	--	
Other related parties	See below *	1.628	779	2.212	
		15.799	2.079	3.671	
2006					
Zorpet Petrogaz, Petrol, Gaz ve Petrokimya A.Ş.	See below *	58	--	330	
Promer Bilgisayar Limited Şirketi	See below **	--	--	1.170	
Vestel USA Inc.	100%	535	240	--	
Teds International	See below **	--	552	--	
L-3 Communications Investments	See below **	--	--	1.553	
Other related parties	See below *	561	119	911	
		1.154	911	3.964	

* Zorpet Petrogaz, Petrol, Gaz ve Petrokimya A.Ş. and "other related parties" are companies controlled by the majority shareholder of Vestel Elektronik.

** Teds International, L-3 Communications Investments and Promer Bilgisayar Limited Şirketi are third party minority shareholders in subsidiary companies of the Group.

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b) Sales to and operating expenses from related parties are summarized below:

	2007	2006
Sales		
Zorpet Petrogaz, Petrol, Gaz ve Petrokimya A.Ş.	59	1.883
Other	1.180	933
	1.239	2.816
Operating expense		
Deniz Destek Oto Alım Satım Kiralama Temizlik Hizmetleri ve İnşaat A.Ş.	1.540	1.864
Other	1.576	--
	3.116	1.864

Deniz Destek Oto Alım Satım Kiralama Temizlik Hizmetleri ve İnşaat A.Ş. is a company controlled by the majority shareholder of Vestel Elektronik.

25. FINANCIAL INSTRUMENTS

Risk management objectives and policies

The Group 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 Group's risk management is coordinated at its headquarters, in close co-operation with the board of directors, and focuses on actively securing the Group'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 Group 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 Group is exposed to are described below.

Foreign currency risk

The majority of the Group's transactions are carried out in Euros and US Dollars. Exposure to currency exchange rates arise from the Group's overseas sales and purchases, 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.

The Group 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.

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

	USD	EUR	Other currencies YTL equivalent	YTL equivalent
2007				
Cash and cash equivalents	184.430	139.343	8.025	461.135
Trade receivables	87.588	322.174	35.031	688.027
Inventories	117.695	106.475	44.408	363.581
Other receivables	4.106	8.565	11.054	30.484
Total foreign currency assets	393.819	576.557	98.518	1.543.227
Current borrowings	112.890	59.078	--	232.518
Non-current borrowings	287.707	52.756	--	425.316
Current lease payables	610	165	--	992
Non-current lease payables	--	59	--	101
Trade payables	1.167.375	342.765	22.314	1.968.152
Advance received	7.799	4.254	3.587	19.946
Other liabilities	31.755	5.069	--	45.654
Total foreign currency liabilities	1.608.136	464.146	25.901	2.692.679
Net foreign currency position	(1.214.317)	112.411	72.617	(1.149.452)
	USD	EUR	Other currencies YTL equivalent	YTL equivalent
2006				
Cash and cash equivalents	112.975	110.133	33.397	396.106
Trade receivables	71.104	323.937	82.900	782.613
Inventories	94.599	96.887	26.577	338.932
Other receivables	89.328	8.479	557	141.815
Total foreign currency assets	368.006	539.436	143.431	1.659.466
Current borrowings	183.712	141.236	--	519.724
Non-current borrowings	235.280	33.977	--	393.617
Current lease payables	1.374	187	--	2.277
Non-current lease payables	610	100	--	1.042
Trade payables	905.641	499.294	2.241	2.199.653
Advance received	5.902	3.294	--	14.394
Other liabilities	22.060	--	--	31.008
Total foreign currency liabilities	1.354.578	678.087	2.241	3.161.715
Net foreign currency position	(986.572)	(138.651)	141.190	(1.502.249)

On basis of the above an increase of 1% in the foreign exchange rates against the Turkish Lira as of 31 December 2007 will amount to a loss of YTL 11.494 and a decrease will amount to profit of the same amount.

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Interest rate risk

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

The Group 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 Group 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.

An increase in the variable interest rates related to the borrowings as of 31 December 2007 is not expected to have any material effect on the financial results because the Management of the Group is able to maintain existing loans on the same terms as before or negotiate new loans on the same terms as existing ones.

Liquidity risk

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

The Group 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:

	Current Within 6 months	Non-current 6 to 12 months	1 to 5 years	Over 5 years	Total
2007					
Borrowings	106.626	130.322	415.729	9.688	662.365
Trade payables	1.510.911	551.924	--	--	2.062.835
Other liabilities	160.351	19.198	11.812	--	191.361
	1.777.888	701.444	427.541	9.688	2.916.561
2006					
Borrowings	251.352	272.298	76.042	318.617	918.309
Trade payables	1.872.483	433.845	--	--	2.306.328
Other liabilities	125.589	17.742	9.135	--	152.466
	2.249.424	723.885	85.177	318.617	3.377.103

However expected maturities may differ from contractual liabilities in response to changes in term that may occur in the ordinary course of business.

Capital risk management

The Group's capital management objectives are:

- ensure the Group'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

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The Group 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 Group sets the amounts of capital in proportion to its overall financing structure i.e. equity and financial liabilities. The Group 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 Group may adjust the amount of dividends paid the shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's capital to overall or financing ratio developed as follows:

	2007	2006
Total borrowings (note 12)	662.365	918.309
Less: Cash and cash equivalents (note 5)	(512.130)	(584.684)
Net debt	150.235	333.625
Total equity	1.344.354	1.322.183
Overall financing	1.494.589	1.655.808
Capital to overall financing ratio	90%	80%

The ratio improvement during 2007 resulted from a reduction of borrowings which in turn resulted mainly from a reduction in trade receivables and inventories and the profits during the year.

Credit risk

The Group'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 Group 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. Long-term liquidity needs for a 180 day and a 360 day lookout period are identified monthly.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, 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 Group's policy is to deal only with creditworthy counterparties.

The Group 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.

In respect of trade and other receivables, the Group 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.

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
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Fair value of financial instruments

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

The estimated fair values of financial instruments have been determined by the Group using available market information, management's judgment and appropriate valuation methodologies. 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 Group is based on such market data. The fair values of the remaining financial instruments of the Group can only be estimated. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the Group'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.

26. SEGMENT INFORMATION

The Group is currently organized into three major production divisions. The basis on which the Group reports its primary segment information is as follows:

Television and monitor: Produced by Vestel Elektronik Sanayi ve Ticaret A.Ş. (Manisa/Turkey).

Electronic devices : Produced by Vestel Komünikasyon Sanayi ve Ticaret A.Ş. (İzmir/Turkey).
 Produced by Vestel Dijital Üretim Sanayi A.Ş. (Manisa/Turkey).

White Goods : Produced by Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.(Manisa/Turkey).
 Produced by Vestel CIS (Vladimir Region/Russia)

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR THEN ENDED 31.12.2007

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The segment results for the year ended 31.12.2007 are as follows:

Business segments	Television and monitor	Electronic devices	White goods	Other	Total
2007					
Revenue	2.540.142	431.781	1.373.990	281.098	4.627.011
Cost of sales	(2.332.803)	(378.954)	(1.139.736)	(250.206)	(4.101.699)
Gross profit	207.339	52.827	234.254	30.892	525.312

Other segment items included in the income statement:

Depreciation expense	82.377	12.476	43.457	9.006	147.316
Amortisation charge	1.411	3.781	1.204	8.712	15.108
Impairment of inventory	4.960	5.217	1.708	(145)	11.740
	88.748	21.474	46.369	17.573	174.164

The segment results for the year ended 31.12.2006 are as follows:

Revenue	3.271.073	582.375	1.216.844	160.833	5.231.125
Cost of sales	(2.773.179)	(493.463)	(957.474)	(143.825)	(4.367.941)
Gross profit	497.894	88.912	259.370	17.008	863.184

Other segment items included in the income statement:

Depreciation expense	72.277	8.876	39.097	4.612	124.862
Amortization charge	1.141	4.552	1.282	7.633	14.608
Impairment of inventory	734	1.001	850	(62)	2.523
	74.152	14.429	41.229	12.183	141.993

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ
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The segment assets and liabilities at 31.12.2007 and 2006 and capital expenditure for the year then ended are as follows:

	Television and monitor	Electronic devices	White goods	Other	Total
2007					
Trade receivables	803.874	94.126	217.678	25.760	1.141.438
Inventories	601.261	200.863	283.125	6.130	1.091.379
Property, plant and equipment	479.835	52.943	484.850	5.651	1.023.279
Intangible assets	100.410	52.860	146.326	2.248	301.844
Unallocated assets					779.024
Total assets					4.336.964
Trade payables	1.518.889	215.972	291.455	36.519	2.062.835
Unallocated liabilities					929.775
Total liabilities					2.992.610
Capital expenditure	89.506	18.771	80.622	24.500	213.399
2006					
Trade receivables	951.727	97.076	279.692	21.299	1.349.794
Inventories	759.968	220.018	220.174	41.606	1.241.766
Property, plant and equipment	505.121	59.801	451.844	4.835	1.021.601
Intangible assets	74.678	33.174	155.104	4.557	267.513
Unallocated assets					897.672
Total assets					4.778.346
Trade payables	1.693.199	258.825	323.939	30.365	2.306.328
Unallocated liabilities					1.149.835
Total liabilities					3.456.163
Capital expenditure	67.538	20.956	245.524	21.876	355.894

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

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Segment assets and liabilities are reconciled to entity assets and liabilities as follows:

	2007		2006	
	Assets	Liabilities	Assets	Liabilities
Cash and cash equivalents	512.130	--	584.684	--
Deferred tax	42.304	56.841	36.113	57.613
Other assets	222.877	--	275.379	--
Investments	1.713	--	1.496	--
Current tax	--	11.642	--	7.317
Current borrowings	--	236.948	--	523.650
Non-current borrowings	--	425.417	--	394.659
Reserve for retirement pay	--	19.208	--	21.447
Provisions	--	74.697	--	55.157
Other liabilities	--	109.545	--	89.992
	779.024	934.298	897.672	1.149.835

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Geographical segments	2007	2006
Revenue		
Turkey	1.213.326	1.220.312
Europe	3.172.222	3.717.611
Rest of the world	241.463	293.202
	4.627.011	5.231.125
Segment assets		
Turkey	2.897.173	3.418.942
Europe	1.176.231	1.069.341
Asia	263.560	290.062
	4.336.964	4.778.345
Capital expenditure on property plant and equipment		
Turkey	132.212	137.129
Europe	841	1.520
Asia	29.071	67.315
	162.124	205.964
Capital expenditure on intangible assets		
Turkey	48.149	148.167
Europe	2.310	1.763
Asia	816	--
	51.275	149.930
Depreciation expenses of property plant and equipment		
Turkey	143.053	118.950
Europe	901	1.203
Asia	3.362	4.709
	147.316	124.862
Amortization charge of intangible assets		
Turkey	14.465	14.384
Europe	643	224
Asia	--	--
	15.108	14.608

VESTEL ELEKTRONİK SANAYİ VE TİCARET ANONİM ŞİRKETİ

Investor Information

Ordinary General Meeting

In line with a resolution passed at a meeting of the Board of Directors of Vestel Elektronik Sanayi ve Ticaret A.Ş., the Company's ordinary general meeting for 2007 will be held on 28 May 2008 at 09:30 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 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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Corporate Finance and Investor Relations Director
Vestel Group of Companies
Zorlu Plaza 34310 Avcılar İstanbul Turkey
Phone: (+90 212) 286 03 20
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Share Information

Vestel Elektronik Sanayi ve Ticaret AŞ's shares have been trading on the İstanbul Stock Exchange National Market under the symbol VESTL since 1990. Since 2000 they have also been trading on the London Stock Exchange as Vestel Elektronik ve Ticaret AS GDR-144A (global deposit certificates) under the symbol VELKYP.

As of 31 December 2007, Vestel Electronics' market value was on the order of USD 398 million. The trading volume of the Company's shares on ISE was worth about USD 7.6 million in 2007.

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