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Vestel: A Global Company

One of the world's biggest

OEM/ODM manufacturer

The world's 7th biggest

TV manufacturer

The European market's 3rd biggest

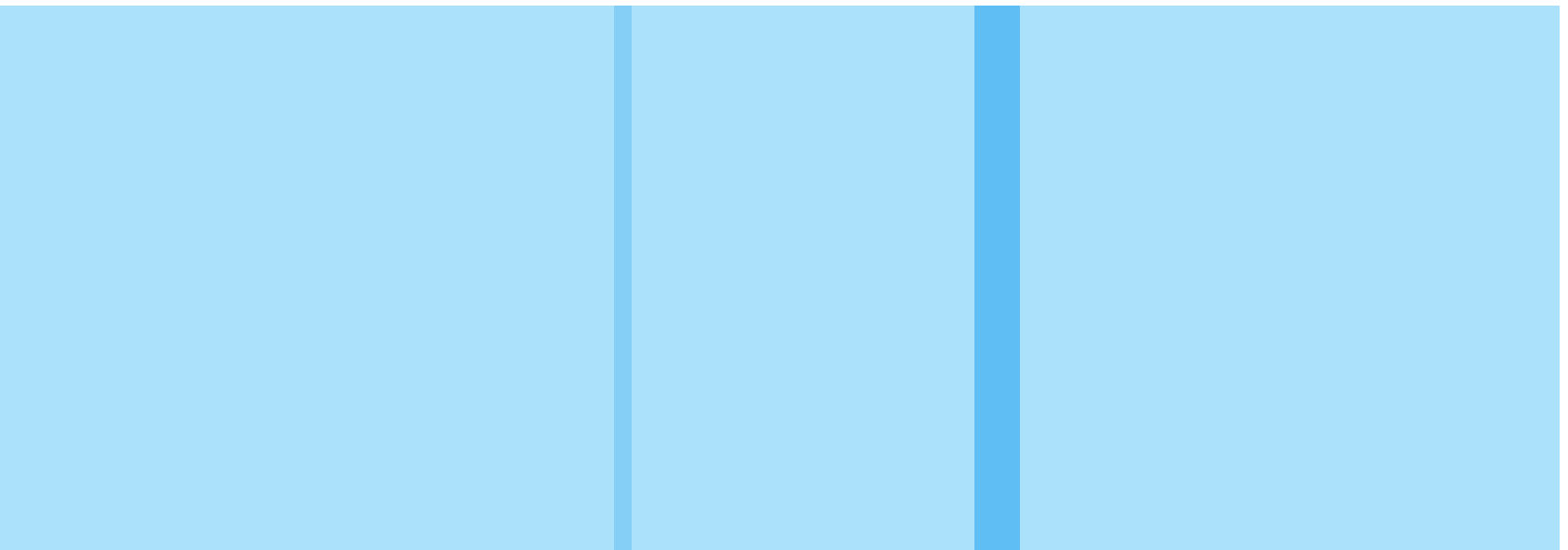
LCD TV manufacturer

Among Europe's

Top ten white goods companies

Turkey's biggest

LCD manufacturer





Vestel: Friendly Technology for the World and for the Future

Vestel: The global market's rising star

The Vestel Group of Companies (Vestel), is a strong player in the Turkish and global markets in the consumer electronics, white goods, and digital products segments. Being among the world's biggest original equipment manufacturers (OEM) and original design manufacturers (ODM), Vestel is a leading corporate group of 24 companies, 12 of which are based in Turkey, whose mission is to make "the highest quality" accessible to its customers.

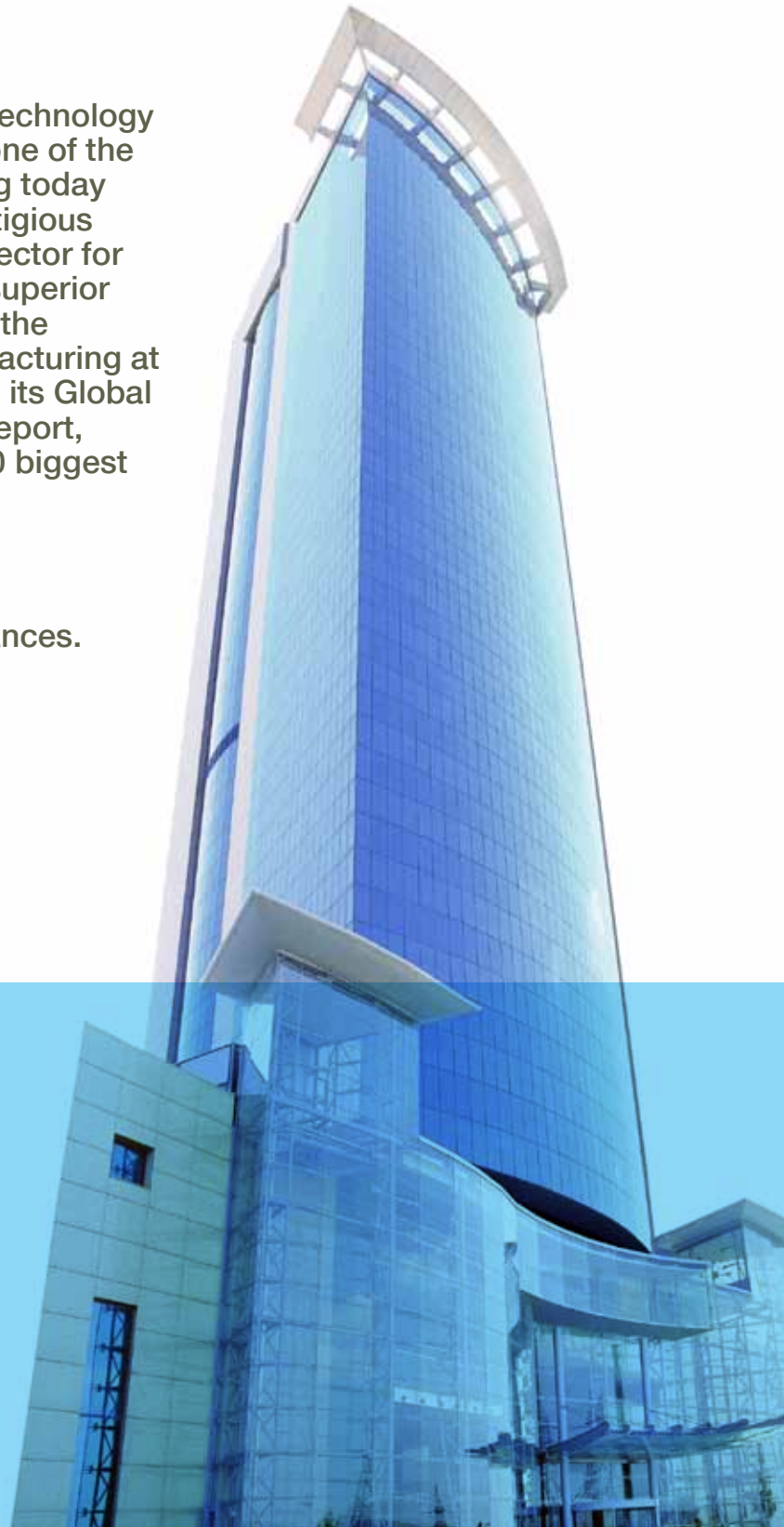
The creator of the sector's trends

An acknowledged pioneer of innovations, Vestel's technology and design development competencies make it is one of the world's biggest manufacturers in its sector. Ranking today among Turkey's top ten best-known and most prestigious brands, Vestel has been shaping the course of its sector for 25 years with the products that it develops and its superior service quality. Vestel enjoys a strong reputation in the international arena thanks to its approach to manufacturing at world standards and its to high quality products. In its Global Powers Of The Consumer Products Industry 2010 report, Deloitte ranked Vestel 195th among the world's 250 biggest consumer products manufacturers.

In the European market Vestel ranks:

- Among the top three manufacturers of LCD TV
- Among the top ten manufacturers of home appliances.

Vestel confronts millions of consumers all over the world with environment-friendly innovative products that are ahead of their time while building strong bridges that join the present to the future through its Friendly Technologies.



While making life easier for consumers, Vestel is also investing in the world's future.

With innovative high-tech products that are user and environment-friendly as summed up in its "Friendly Technology" slogan, Vestel introduces tomorrow's technology to consumers today. "Friendly Technology" products are the most important element of Vestel's mission to create a better future.

Vestel reflects its approach of being mindful to the ecological balance and the world's future in the technologies that it produces.

In white goods, Vestel develops products that reduce water consumption by up to 30% while 90% of its product line now consists of A and A+ energy class appliances that are 25% more energy-efficient than B class products. In refrigerators, the Company has launched production of A++ class products. In LCD televisions, Vestel's Eko TV uses 50% less energy in operation and none at all when in stand-by mode.

Vestel is a strong manufacturer that exports to 127 countries.

Taking its successes in consumer electronics into the white goods segment as well, Vestel products incorporating advanced technologies at world standards of quality have succeeded in appealing to consumers in 127 countries.

Products made by Vestel Electronics, Vestel White Goods, and Vestel Digital are marketed and sold internationally by Vestel

Foreign Trade. Vestel Foreign Trade employs an effective marketing and sales strategy through an international distribution network consisting of offices in France, Germany, Spain, UK, Netherlands, Italy, Finland, Russia, and Romania.

With export revenues worth USD 2.4 billion, Vestel ranked second among Turkey's biggest exporters in the Assembly of Turkish Exporters' "Export Champions" league table. Vestel has also commanded a leading share of Turkey's electronics exports for the last twelve years.

1,050 stores and 350 service points located all over Turkey

Vestel has one of Turkey's most extensive sales and after-sales services networks consisting of 1,050 Vestel stores, 1,400 Regal dealerships (650 of them with Regal signage), and 350 authorized service points (electronics, white goods, air conditioners, and IT), all staffed by a service and sales organization numbering 10,000 people.

Vestel offers customers all over the country an extensive product portfolio shaped with its multi-brand strategy and "concept-store" approach through which it merchandises internationally recognized labels.

The world's second biggest industrial complex

Vestel's production facilities are located in Manisa (Turkey) and Alexandrov (Russia). Manisa-based Vestel City is the world's second largest and Europe's biggest

manufacturing complex under a single roof. With an annual production capacity of nearly 24 million units in facilities with a total of 600,000 m² of enclosed space, Vestel City consists of:

- A high-end TV, PC, and digital products factory that manufactures consumer electronics
- White goods plants that manufacture refrigerators, washing machines, cooking appliances, air conditioners, and dishwashers.

Vestel CIS's facilities in Alexandrov, which consist of refrigerator and washing machine plants, produce goods for CIS markets such as Russia, Ukraine, Belarus, and Kazakhstan.

Vestel on the ISE

Vestel Elektronik Sanayi ve Ticaret A.Ş. (Vestel Electronics Industry & Trade Inc) shares have been trading on the İstanbul Stock Exchange (ISE) National Market since 1990 under the symbol VESTL. Since 2000, they have also been trading on the London Stock Exchange. As a result of an initial public offering that was undertaken in 2006, 31.5% of the shares in Vestel Beyaz Eşya A.Ş. (Vestel White Goods Inc)–a subsidiary of Vestel Electronics–began trading on ISE under the symbol VESBE.



Serving an extensive export atlas encompassing 127 countries, in 2009 Vestel booked exports worth TL 2.4 billion in value and became Turkey's export champion for the twelfth year in a row.

The Zorlu Group in Brief

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

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

23 thousand

With 23,000 employees and over TL 10 billion in total assets, the Zorlu Group today produces and works for Turkey.

Structure of the Vestel Group of Companies

Vestel Electronics is the flagship of the Vestel Group of Companies

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

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

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

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

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

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

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

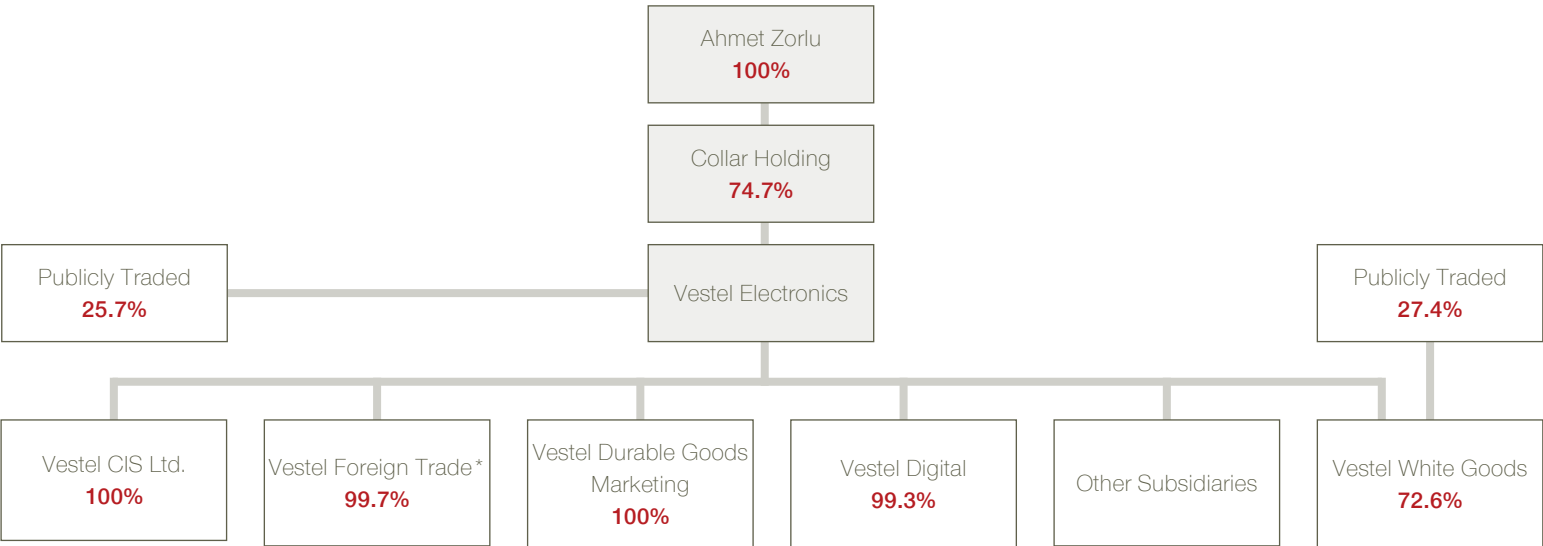
Turkey's export champion in the electronics industry for the last twelve years, Vestel Foreign Trade conducts its international marketing and sales activities through

international offices and local sales and distribution networks in France, Germany, Spain, UK, Netherlands, Italy, Finland, Russia, and Romania.

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

Vestel in Russia: Vestel CIS

Vestel CIS is a subsidiary of Vestel Electronics based in Alexandrov near Moscow. With 85,000 m² of enclosed space, Vestel CIS manufactures refrigerators and washing machines for the Russian and CIS markets.



* Consisting of foreign trade companies

Financial Highlights*

USD million	2009	2008
Net Sales	3,002	3,632
Exports/Sales	77%	74%
Operating Profit	242	187
EBITDA	382	329
Net Profit	48	(316)
Investments	76	109
R&D Expenditures/Sales	2.0%	1.9%
Total Assets	2,521	2,560
Shareholders' Equity	746	574
Net Debt	260	245
Net Debt/Equity	35%	43%
Gross Profit Margin	19.1%	19.2%
EBITDA Margin	12.7%	9.1%

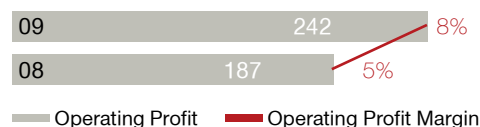
Vestel Electronics' Ratings

S&P	B-/Stable
Fitch Ratings	B/Stable
Moody's	B3/Negative

* CMB based financials

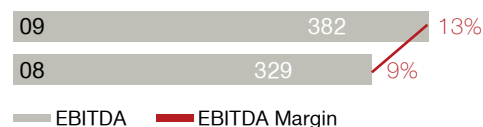
Operating Profit and Operating Profit Margin

USD million



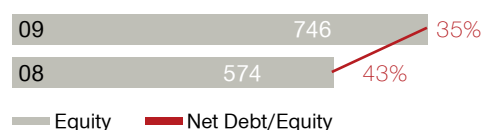
EBITDA and EBITDA Margin

USD million



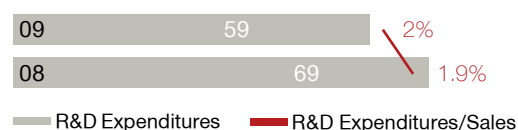
Net Debt/Equity

USD million



R&D Expenditures

USD million



77%

In 2009, Vestel's revenues amounted to USD 3,002 million while exports accounted for 77% of the total sales.

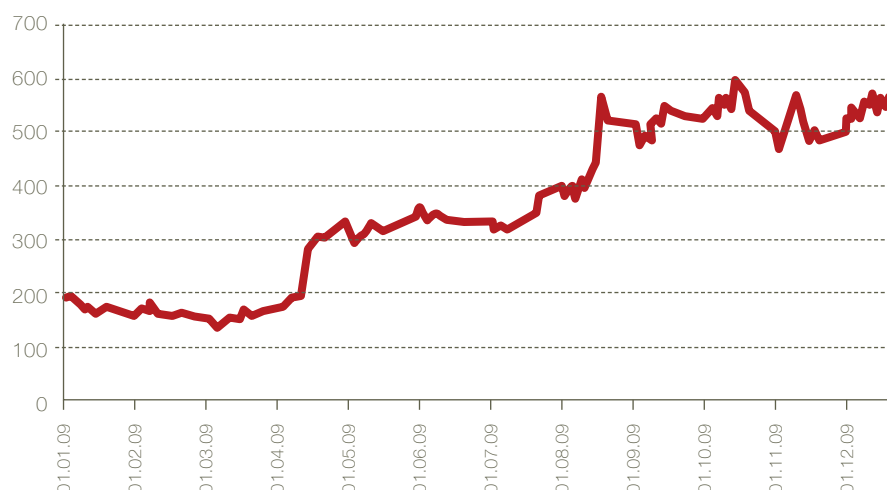
Vestel Share Price Summary

USD	2009
Number of shares	335,456,275
Publicly held	279,736,988
High	1.78
Low	0.42
Year-end	1.74
12-month return	211%
12-month average trading volume	8,557,467
Market capitalization	582,428,257

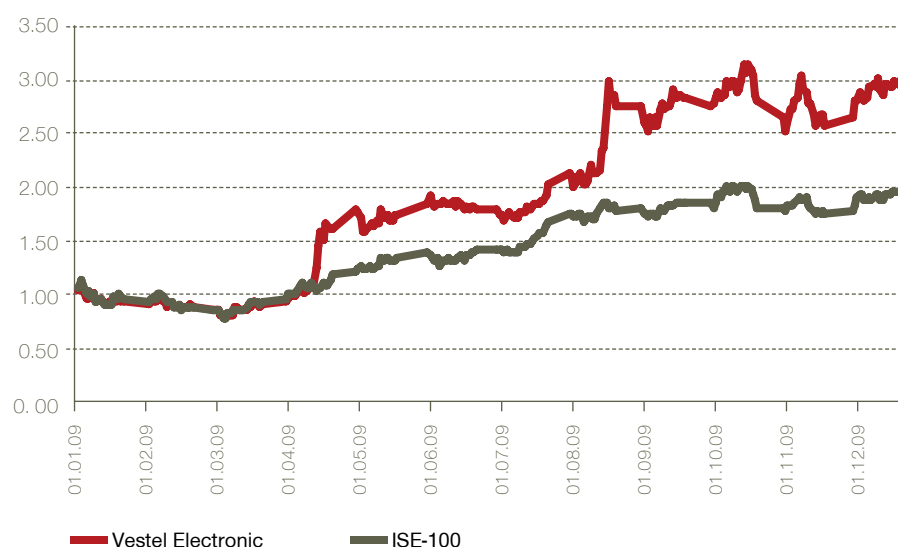
Vestel Electronics Shares

In 2009 the İstanbul Stock Exchange's ISE-100 index rose 100% in USD terms while the yield on Vestel's shares increased 211% by the same measure. At year-end 2009, the Company's shares were being included in the ISE-50, ISE-100, ISE Corporate Governance, ISE All Shares, ISE Industrials, and ISE Metal products indexes.

Vestel Electronics' Market Capitalization USD million



Comparative Share Performance USD



211%

In 2009 the İstanbul Stock Exchange's ISE-100 index rose 100% in USD terms while the yield on Vestel's shares increased 211% by the same measure.

2009 Highlights

Friendly Technology: Environment-friendly high-tech products from Vestel

In its 25th year, Vestel launched a new brand pledge whose underlying message, summed up in the phrase “Friendly Technology”, brings together its high-tech philosophy and its environment-friendly approach. Since the day it was founded, Vestel has distinguished itself with the friendliness of its approach as manifested by its innovative products, extensive dealer and service network, and closeness to consumers. The “Friendly Technology” brand pledge not only sums this up but also coincides perfectly with Vestel’s corporate values.

The elements that reveal and support Vestel’s “Friendly Technology” brand pledge are:

- warm relationship with the consumer parallel to the importance which is given to customer satisfaction
- willingness to stand by its customers under all conditions
- accessibility
- merchandising expertise
- products that make life easier and environmentally-conscious production approach.



DVB-T2 technology

As high-definition (HD) television broadcasting becomes increasingly more common around the world, the demand for televisions and set-top boxes capable of receiving and rendering the signals has grown as well. The new DVB-T2 standard is an extension of the existing DVB-T standard that provides a superior viewing experience through the use of MPEG4 compression technology. First tried out in the UK, DVB-T2 technology is to be introduced soon in Finland and Serbia with the expectation that broadcasts complying with this standard will begin in Italy, Spain, and many other European countries as well. The World Cup matches that are to be held in South Africa this year will be broadcast in HD DVB-T2.

IPTV technology

Internet Protocol television (IPTV) is a system for broadcasting and receiving TV signals over the internet. Its advantages over traditional TV systems is that IPTV allows each user to watch whatever they want, when they want it, while also offering the possibility of interaction with the broadcast.

The global market for IPTV services is growing very rapidly. European countries presently account for a more than 50% share of the worldwide IPTV market. Looking at the European market for the set-top boxes that allow IPTV broadcasts to be viewed on normal televisions, one observes that there has been a significant rise since 2005. The biggest market for IPTV technology and the products associated with it is France, where one in every five of 25 million households has at least one IP box installed.

A first in Turkey: 3-month return guarantee

Vestel supports its "Friendly Technology" brand pledge not just with its products and services but also through all of the marketing and corporate communication projects that it carries out. In line with, Vestel launched its first step undertaking in this direction with its "3-month return guarantee" in late 2009.

In the first consumer-oriented campaign under the Friendly Technology" brand pledge, a three-month guaranteed right-of-return return was offered on all Vestel-made brown and white goods with the aim of putting "a Vestel in every home". This guarantee, which applies to all Vestel products sold before the end of 2009, was unusual inasmuch as it was the first of its kind in Turkey in terms of both scope and length.

Sending a clear message of the confidence that Vestel has in the quality of its products, the campaign was so successful among consumers that it was extended for another three months. The campaign had an extremely beneficial impact on the Company's sales and there was a noticeable rise in store traffic. By the time that the campaign ended in March, product return rates were still extremely low. In fact nearly all the returns were by consumers who wanted to exchange their purchases for more advanced models.

Turkey's first domestically-manufactured LCD TV from Vestel: Vestel Pixellence LED TV

Establishing itself firmly in the market in 2009, Vestel Pixellence LED TV is the first LCD TV to be manufactured in Turkey. Vestel-patented Pixellence image rendering technology maximizes the viewing experience. In addition to providing all the advantages of LCD TV, Vestel Pixellence LED TV, which has been awarded more than 40 patents, offers outstanding image clarity, vividness, and realism.

Vestel is a leading contender in digital broadcasting.

In the series of events organized by the BBC in the UK to officially start test broadcasts employing DVB-T2, the latest innovation in terrestrial digital broadcasting technology, Vestel scored another great success by

being one of four firms—and the only Turkish one—with DVB-T2-compliant products to show off.

Launched for the first time in the UK, DVB-T2 represents the next generation of terrestrial digital broadcasting. Vestel was the first manufacturer to receive DVB-T2 certification from the BBC for the DVB-T2 STB (set-top box) that it designed.

Having begun in the UK, this new terrestrial digital broadcasting technology is expected to spread around the world in a very short time. Vestel intends to begin manufacturing DVB-T2-compliant set-top boxes in 2010 with televisions to follow.

Vestel: The first and only name in Interactive Hotel TV package services

Vestel is the world's first and only company to provide a complete package of software, television, and upkeep services in the interactive hotel TV market, the newest development and latest trend in IPTV-based broadcasting technologies. Within this scope, Vestel's first customer was the Hilton İzmir hotel in Turkey.

Vestel-brand user's boxes for TTNET's IPTV services

Having made great progress in the production of the set-top boxes that provide access to IPTV broadcasts, Vestel was awarded the contract to manufacture the units that will be used in TTNET's IPTV project. Under this agreement, Vestel is to produce set-top boxes for TTNET which started IPTV service. This collaboration between Vestel and TTNET is not only an important step in the direction of Vestel's leadership in the IP-based set-top box business line but is also evidence of Vestel's production quality as TTNET's main supplier.

Vestel Electronics upholds its "good corporate governance" rating

ISS Corporate Services, regarded as one of the world's leading rating agencies in corporate governance practices, has again confirmed Vestel Electronics' corporate governance rating score of 8.5 out of 10.

Vestel Electronics received its highest (9 out of 10) rating for its "Stakeholders" practices. Vestel's corporate governance score is further evidence of the Company's strong performance in terms of its compliance with Capital Markets Board corporate governance principles.

Vestel Electronics and Vestel White Goods receive "Ethical Accountability" awards.

Vestel's consumer electronics and home appliances companies awarded in the "Accountability Rating 2008: Turkey" program conducted jointly by UK-based AccountAbility and the Corporate Social Responsibility Institute.

In this survey, publicly disclosed information about Turkey's 50 biggest companies (as measured by total revenues) was rated in four "domains": Strategic Intent, Governance & Management, Engagement, and Operational Performance. Vestel Electronics and Vestel White Goods were ranked among the top fifteen companies in the survey based on the high marks that each received for their competencies in the areas of strategy, management, and corporate governance. Vestel's innovations in alternative energy sources and efforts to conform to international standards were also cited as justifications for the awards.

Vestel rises to second place in Turkey's exports

With export revenues worth USD 2.4 billion, Vestel ranked second among Turkey's biggest exporters in the Assembly of Turkish Exporters' "Export Champions" league table. Vestel has also commanded a leading share of Turkey's electronics exports for the last twelve years.

Simultaneous awards for two Vestel websites

Vestel's Super Slim LCD and Pixellence micro websites received "Excellence Award" in Interactive Media Awards, one of the most prestigious website competitions in the world. In the competition organized by USA-based Interactive Media Council, the Vestel websites awarded in the "Consumer Products" and "Informatics" categories for their design details, ease of use, and visual appeal.

Touch the Future Today with Vestel

European leader of the digital products market Vestel at Europe's only digital broadcasting fair

At the ANGA Cable digital broadcasting fair held in Cologne on 26-28 May 2009, Vestel offered visitors 60 different models consisting of televisions and other products incorporating a variety of technologies.

Among the high-tech consumer electronics products that Vestel exhibited at the fair were:

- 3D LCD TV, a flatscreen television capable of displaying a three-dimensional image
- Widget TV, which makes use of internet technology to display real-time weather report, news, and financial information from service providers
- iPod Dock LCD TV, which displays iPod content on a TV screen
- LED LCD TV, which offers superior image performance while using up to 80% less energy than normal LCD TV units.

At the ANGA Cable event Vestel also exhibited developing-technology products and services such as an IP STB, Interactive Hotel TV applications, and digital LCD advertising panels.

Vestel at the Berlin IFA fair for the 15th time

On 4-9 September Vestel took part in the IFA fair held in Germany's capital city, Berlin. This was the fifteenth time that Vestel was on hand at what is the world's biggest consumer electronics show. Occupying a 2,600 m² stand, Vestel once again demonstrated that it was a technology leader in white and brown goods with a huge array of 500 products including:

- A glass-framed, plush-lined, and crystal-decorated LCD TV that was specially designed for Fashion TV
- iPod and iPhone-compatible LCD
- LED TV
- Easy internet access Widget TV
- 3D LCD TV
- Ecological LCD TV.

Successfully demonstrating its consumer electronics, information technologies, and white goods prowess in the international arena at IFA 2009, Vestel exhibited not only its newest LCD models but also its Wireless TV applications, IP boxes; IP based Interactive Hotel TV; digital signage; HD and Full HD LCD TV receivers, HD/SD satellite, terrestrial, and cable TV receivers; and new built-in and full-sized home appliance models.

Two other members of the Vestel family that were shown off to visitors at the fair were Finlux, a popular and highly respected home electronics name in Scandinavia, and Vestfrost, one of the most prestigious home appliances brands in Europe and Russia.

Vestel 3D LCD TV

Employing a specially designed integrated circuit, Vestel's 3D LCD TV allows images shot from different angles by two or more cameras to be displayed in three dimensions when viewed with special glasses.

Vestel Widget TV

By means of internet infrastructure integrated into an LCD TV receiver, Widget TV makes it possible to have immediate, real-time access to video and picture sharing websites as well as to weather reports, news, and financial information. With Widget TV, the viewer uses an ordinary remote control to click on icons appearing on the TV screen to easily select the option he wants. Vestel Widget TV includes a special feature that allows the user to create a customized menu of the particular content items that s/he regularly wants.

Vestel iPod Dock LCD TV

Vestel iPod Dock LCD TV units are equipped with an iPod socket. By connecting an iPod to this socket with an appropriate cable, the video and audio content recorded in the device can be displayed on the television. The connection also serves as an automatic iPod charger as well.



Vestel shows off the leading-edge consumer electronics technology products that it makes at the international fairs that it attends.



Awards and Standards

Vestel Electronics is focused on profitable and sustainable growth that is nourished by a production strategy rooted in the principles of technology, innovation, and quality.

Vestel Electronics' products are designed and manufactured to be:

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

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

And the design award goes to... Vestel

Vestel was the first and is still the only company from Turkey to be admitted as a member to the International Council of Societies of Industrial Design, one of the most prestigious international organizations active in the area of industrial design. The design awards that Vestel has received over the last two years are evidence of the recognition that the Company's design prowess and success have gained in the international arena. Vestel distinguishes itself with advanced and nature-friendly technology, superior energy conservation, and customizable and user-friendly design features in products that bring together its innovation and design strengths.

Four prizes from "Good Design Award"

In 2009 the Chicago Athenaeum Museum of Architecture and Design bestowed its highly coveted "Good Design" awards on two of Vestel's Slim and Thin LCD TV models and also on the Company's Wave remote control, and Pearl TV interface.

iF Design Forum and Red Dot Design awards

In the IF Design Forum and the prestigious Red Dot Product Design Award competitions in Germany, Vestel racked up new successes by receiving four awards in the "product design" category for its Aramides and Lissotis washing machines.



Receiving more than ten awards for its innovative products in the last two years, in 2009 Vestel was the recipient of the iF Product Design and Good Design awards in the world's most prestigious design competitions.



The Strength That Has Driven the Sector for 25 Years

Vestel's basic 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.



Sources of Strength

Innovation

- Vestel achieves innovation by combining technological and industrial design development strengths arising from R&D with product-making competencies.

Product diversity

- Vestel develops and diversifies products according to customers' different needs.
- Vestel's flexible consumer electronics and white goods manufacturing competencies allow it to customize mass produced orders according to customers' wishes.

Cost advantages

- Vestel City, Europe's biggest manufacturing complex under a single roof, provides Vestel with productivity, efficiency, and cost advantages.
- Vestel has superior logistics and distribution competencies.
- Vestel's proximity to the European market gives it a logistical advantage over Far Eastern competitors.
- Vestel's standing as one of the world's biggest TV producer and fastest-growing home appliance manufacturers gives it the benefit of economies of scale as well as important advantages when procuring the components that are the prime determinants of its costs.
- Vestel procures a high percentage of its inputs from the numerous firms that make up Manisa's submanufacturing sector, which gives it an important cost advantage.
- Vestel's unit labor costs are lower than those in Europe.
- Vestel enjoys a natural competitive advantage over Asian competition in the customs union that allows the Company to ship goods into EU countries duty-free.
- Vestel's Russian-based production facilities give it tax advantages not just in that country but also in Ukraine, Belarus, Kazakhstan and other CIS countries.

Committed to customers

- Vestel delivers seamless service that covers everything from original design and manufacture to point distribution, unlike its Far Eastern competitors.
- Vestel does not compete directly with its customers' brands in Europe.

Strategic Goals

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

- As a company that has completed its changeover to Flat TV, LCD TV, and digital production and with its ability to develop know-how, to focus on its technological infrastructure and on its vast knowledge and experience of the regulatory issues and consumer dynamics of the European TV market in order to increase its European market share.
- In the white goods segment, further strengthen its position as an OEM/ODM producer and continue gaining market share in Europe.

Customizing products

- Use tremendous flexibility in developing products according to customer demand and/or geographical considerations as an important competitive advantage in product diversification.

Expand geographical presence

- Continue to make sales in EU countries as an OEM and ODM manufacturer.
- Further strengthen its market position with its own Vestel brand not only in Turkey but also elsewhere in Russia, CIS countries (Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Turkmenistan, Uzbekistan), the Middle East (Iran, Iraq, Jordan, Lebanon, Oman, Saudi Arabia, Syria, United Arab Emirates, Yemen, Gulf states), North Africa (Libya), and South Asia.
- Vestel is focusing on new territories in which to expand as an OEM/ODM manufacturer and exporter: exports are gaining momentum in South America (Argentina, Brazil, Columbia, Peru, Venezuela), in Asia (China, India, Philippines, Thailand, etc), and in South Africa thanks to products specially designed for those markets.

Did you know?

Vestel's Production Base Vestel City is the size of 150 football pitches.

Chairman's Message



Vestel is a company whose export atlas today encompasses 127 countries and which manufactures for hundreds of labels in different countries around the world.

In the wake of 2009

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

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

Despite signals of recovery in the global economy and improvements in indicators in the second half of 2009, the general expectation is that 2010 is going to be a difficult year as well. Liquidity injections by central banks around the world to offset the effects of the crisis pose severe inflationary

risks, which are being further exacerbated by commodity prices, which have begun to rise once again. Unemployment remains high, averaging more than 10% worldwide. Although markets have returned to life, there is an unevenness in the domestic markets of developing countries other than China. Finally there are worrisome structural problems such as excessive public sector indebtedness in EU countries (particularly in Greece and Portugal). In short, it is quite apparent that rapid, real-sector economic growth has not yet got under way.

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

Vestel stands on sound foundations.

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

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

As a company whose export atlas today encompasses 127 countries and which manufactures for hundreds of labels in different countries around the world, Vestel acts quickly in response to changes, adapts to the requirements of the time, and maintains its dynamic structure. Thanks to a nimble structure that is based on innovation, R&D abilities, and flexible production models, Vestel doesn't just respond to different customer habits and expectations in different geographies in an effort to satisfy the different market requirements arising from them: it surpasses consumers' expectations by giving them something even better.

25 million production capacity in 25 years

One of the first names that comes to mind whenever consumer electronics are mentioned in Turkey, Vestel's foundations were laid twenty-five years ago. Having joined the Zorlu Group in 1994, in the years since then Vestel has positioned itself as a strong player in the Turkish and international

electronics, white goods, and information technology markets. Today it is among the world's biggest manufacturers.

In televisions, the most important single product line in the consumer electronics sector, we have been witness to momentous changes: from black-and-white to color, from analog to digital, from one-way communication to interactive, and most recently from mass broadcasting to individualized "pointcasting".

Vestel played a leading role in the most important of these advances. Vestel has never lost its passion for succeeding at first: it produced Turkey's first LED TV and led the way in IP-based broadcasting too. In LCD TV, Vestel is the biggest manufacturer in Turkey and the third biggest in Europe. In another business line in which it has demonstrated its clout, it is the leading European manufacturer of digital terrestrial boxes.

Vestel's rapid growth in white goods manufacturing was nourished by the Company's strong capitalization, which enabled it to complete all of the investments demanded by that capital-intensive business line and reach an annual production capacity of approximately 8 million units in just ten years' time. In recent years, Vestel has been making significant progress in the direction of putting the driving force of its integrated competencies in industrial design and technology to work in developing environment and consumer-friendly products. Vestel introduced the first refrigerators equipped with an MP3 player that could also record voice messages. In the short period defined by the arc of Vestel's rapid growth, the Company joined the ranks of Europe's top ten white goods manufacturers.

At the end of 2009, Vestel's production capacity of close to 25 million units a year ranked it as one of the world's biggest consumer product manufacturers operating out of the world's second largest and Europe's biggest single-based manufacturing complex.

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

What we are witnessing today is a realignment of the world order in many of its aspects. This new world order suggests that

companies need to simultaneously develop themselves along two main axes if they are to achieve sustainability. The first of these involves contributing increasingly more to the community and the environment and making stakeholders aware of this as transparently as possible. The second is concerned with R&D and innovation. The common denominator of both is their focus on clean and green technologies.

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

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

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

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

An important benefit of the Global Compact is that it adds an official and international dimension to our sense of corporate and

social responsibility. Zorlu Holding published its first progress report in 2009 in which was described what had been done to achieve greater sustainability since the compact was signed in 2007. As a member of the Zorlu Group, Vestel Group' own efforts in achieving sustainability as prescribed by the Global Compact were also mentioned.

Vestel Electronics has been assigned a corporate governance rating of 8.5 out of 10 by ISS Corporate Services. That score is clear evidence of Vestel's ability and effectiveness in reflecting its sense of corporate social responsibility in both its corporate culture and its business activities.

The formula for progress and growth

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

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

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



Ahmet Zorlu

Chairman of the Board of Directors

Board of Directors



Ahmet Zorlu
Chairman

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



Prof. Dr. Ekrem Pakdemirli
Vice Chairman

(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.



Olgun Zorlu
Board Member

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



Mehmet Emre Zorlu
Board Member

(1984, İstanbul) Mehmet Emre Zorlu graduated from Koç University (Department of Electrical and Electronic Engineering) in 2006 after which he joined the master's program in innovation and technology management at the University of Essex in England in 2007-2008. Mehmet Emre Zorlu began working for the Vestel Group of Companies in 2009. In addition to his seat on the Vestel Electronics board, Mr. Zorlu is also a member of the Board of Directors of Zorlu Real Estate Development and Investment Inc, a subsidiary of Zorlu Holding.



Yılmaz Argüden
Board Member

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



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.



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.

An Interview with Chief Executive Officer



As one of the world's biggest OEM/ODM producers, Vestel enjoys a unique position in the European market.

How did Vestel confront the crisis and what were its results in 2009?

The signals of impending crisis that we perceived at the beginning of 2008 led us to develop a transformation plan out of our belief that a restructuring throughout the Vestel Group was going to become necessary. The scope of this plan was designed to be as comprehensive as possible and to include everything from cost management to product line and organization. We began putting the plan into effect in the second half of the year. The effects of the economic contraction caused by the crisis started to be felt seriously in September and this arduous period continued into the second half of 2009. Thereafter we began to experience a process of gradual recovery in our country paralleling that in the global economy.

Having readied itself for the crisis, the effects of Vestel's bold plan manifested themselves in the Company's results. One of the most important elements of that plan was a reaffirmation of our biggest shareholder in our brand and its future by means of a share capital increase undertaken despite the Company's already solid capital structure. In April 2009, Vestel Electronics' capital was increased by TL 160 million, all of it paid in cash.

Another important aspect of the transformation plan was the introduction of more effective and much tighter cost management in all of our companies. As a result of this effort, group-wise costs were 22% lower on a Turkish lira basis in 2009 than they had been in 2008. This success was also supported by raw material prices, which remained subdued all year long, and by Vestel's cost advantage of obtaining more than half of the manufacturing components that it needs from domestic producers.

The upshot is that 2009 was a profitable year for Vestel while increased profitability in the TV segment (nourished by a stronger market position in Europe as well as by lower costs), effective stock management, a weak Turkish lira, and tax breaks in the domestic market all had a positive impact on profits. Although revenues were down by 17% year-on on a USD basis, our EBITDA was up by 16% and our EBITDA margin was 12.7%.

What changes did the crisis bring with it?

The global economic crisis that has been harried the world for so long has unhinged many linkages and upset many balances. In the course of this crisis there have been huge changes both in the economic rules and the ways of doing business that we had become accustomed to.

Although many of the world's biggest companies were wounded seriously in the ensuing process, the effects of which diminished at least somewhat in the second half of 2009, we observed that Turkey's leading companies continued to grow and post good balance sheets notwithstanding modest declines in their profits.

In our own sector, small-scale manufacturers particularly in Eastern Europe succumbed to the crisis with the result that the center of Europe's production shifted to Turkey. In addition to its high quality production and rapid turnaround times, our country's proximity to Europe gives it a competitive advantage.

There was an increasing trend on the part of buyers to make quick purchases of goods on short terms rather than place huge orders. At the same time, product quality, customer expectations, and fast service also moved to the fore. As one of the leading companies in the sector, Vestel successfully exploited the opportunities afforded by its competitive advantages and strengthened its market position by making use of its flexible production model and ability to quickly make decisions and transform them into action in order to distinguish itself in responding to demand and making deliveries quickly.

What are Vestel's basic market strategies abroad and what results have they achieved?

In Europe Vestel enters the market in a variety of brands while pushing forward as an OEM/ODM manufacturer. In other countries, including its own area of expansion, it adheres to a strategy of maintaining its presences through branded sales.

As one of the world's biggest OEM/ODM producers, Vestel enjoys a unique position in the European market. An important feature of Vestel's strategy is that it does not compete directly with the brands of the customers that it manufactures for in that market. Through this successful strategy, we have become the third biggest manufacturer. In white goods, we are among the top ten manufacturers and continuously increasing our market share.

Another strategy that we are following in Europe involves production and sales in a number of brands with strong customer bases of their own that we have acquired in recent years. These brand name investments are an important part of Vestel's strategy of pursuing growth through branded sales. Finlux and Luxor (two brands that are well known in Scandinavia and Northern Europe), Vestfrost (one of Europe's and Russia's most prestigious labels), and Graetz (a famous German name) also give strong impetus to our sales. We also registered significant increases in sales through the Telefunken brand, whose rights in many countries were purchased last year.

Our Vestel-branded sales outside Turkey are also making an increasingly greater contribution towards our goals of making sales and of increasing our influence in Russia, CIS countries and particularly in Middle Eastern countries.

What sort of strategy to you follow in the Turkish market?

Vestel's strategy in its home market is shaped essentially by its extensive dealership network and its after-sales service competencies. Our powerful distribution network is one of our most important assets. In contact with consumers through more than a thousand sales outlets, Vestel registered another first in 2010 with the launching of sales from its website. Flawless after-sales services are also provided via 350 service points. Assembly and installation services are performed at the same time that products are delivered to consumers. Our IT base allows all aspects of the sales and after-sales services chains to be continuously monitored. Our call center is gaining increasing importance in communication and enables us to stand by our customers at all times.

An Interview with Chief Executive Officer

In product development our primary concerns are these: developing technologies that are nature and consumer friendly, maximizing energy efficiency, developing products that appeal to different markets' preferences and habits through R&D-based product customization ability, and emphasizing products' ergonomic and design features.

Warm relationships with customers and service quality are more important today than ever. Listening carefully to what the consumer needs and establishing correct communication with consumers have become important elements that determine consumer choice. Recognizing that the service provided to consumers plays a primary role in shaping brand choices, we continue to improve our service quality wherever we come into contact with consumers and fulfill our "friendly technology" brand pledge in all areas.

As a result of its customer-focused market approach, Vestel today is the leading name in LCD TV sales in Turkey. In white goods, Vestel successfully increased its market share from about 5% in 1999 to 12% by the end of 2009.

What can you tell us about Vestel's stature as an export champion?

Vestel has been the export champion of its sector for many years and is determined to uphold that distinction. Exports accounted for 77% of our total sales in 2009, a performance which I think eloquently sums up our position on this issue.

Vestel is advancing sure-footedly not just in Turkey but in global markets as well. With export sales worth USD 2.4 billion in 2009, Vestel ranked second among Turkey's top exporters in the Assembly of Turkish Exporters' export championship league table. In electronics, it has been the sector's leader for twelve years in a row.

On a unit basis, parallel to the growth in our total LCD TV exports despite overall declines in white goods sales in Europe, we nevertheless held the line on our exports to what is still our primary market.

Vestel continues to add new countries to its export atlas as it strives to further increase Turkey's export potential and build upon its own leadership.

In what ways does Vestel reveal its R&D abilities?

Vestel's greatest driving force is an R&D reflex that anticipates the expectations of the day and of the consumer. Our R&D expenditures and investments remain on course independently of all external factors—and that includes economic crises.

Because Vestel has completed all of its essential investments in brown and white goods, the Company is in a position to devote all of its resources into product development.

In product development our primary concerns are these: developing technologies that are nature and consumer friendly, maximizing energy efficiency, developing products that appeal to different markets' preferences and habits through R&D-based product customizability, and emphasizing products' ergonomic and design features.

Integrating industrial design into its R&D processes in the most effective way possible, Vestel's successes in product development have gained numerous international recognitions. Over the last two years Vestel has received more than ten awards for its innovative products. In 2009 was the recipient of the IF Product Design and the Good Design awards, two of the world's most prestigious in their categories. Such recognitions are evidence that Vestel has successfully taken its design competencies into the international arena as well.

What can you tell us about Vestel's superiority in electronic and digital R&D?

Vestel always remains one step ahead thanks to its ability to spot trends in its sector well in advance and to act upon them quickly and effectively.

Not long ago Vestel introduced the first LCD TV manufactured in Turkey to the market. Incorporating Vestel-patented image rendering technology that brings a whole new dimension to flat-panel televisions, the Pixellence LED TV is widely admired throughout the world. Vestel continuously raises the standard of success in televisions with its image enhancement software and chip technology improvements.

Vestel continues to build on its reputation and prestige in the world giants league without any letup. In the future we will continue to progress confidently along our path of success thanks to our strong team, our innovative approach to production, our absolute commitment to quality, and our nature and consumer-friendly approach.

Vestel continues to build on its reputation and prestige in the world giants league without any letup. In the future we will continue to progress confidently along our path of success thanks to our strong team, our innovative approach to production, our absolute commitment to quality, and our nature and consumer-friendly approach.

Combining the set-top box R&D work that the Company has been carrying out for more than ten years together with recent television R&D activities, Vestel has become an R&D center in which digital technology projects are being carried out by more than 500 engineers.

Vestel manufactures terrestrial (DVB-T), satellite (DVB-S/S2), cable (DVB-C), and IP set-top boxes whose original designs and software the Company developed itself. Such abilities also give Vestel a significant competitive advantage in global markets.

DVB-T2 represents the next generation of digital broadcasting. In 2009 Vestel became the first manufacturer to receive DVB-T2 certification from the BBC for the DVB-T2 STB that it designed and produced.

As one of the first companies in the world to develop T2 technology, Vestel has extensive knowledge and experience in this area. The Company is currently leading the way forward in the changeover to terrestrial digital broadcasting through efforts in such areas as formulating a DVB-T standard in Turkey and developing Turkey-specific set-top boxes and Turkish-language MHEG-5 interactive software.

Vestel also reveals its abilities in the area of IPTV, which is seen as the future of the television sector. As one of only a handful of concerns in the world to be closely involved in this technology from very early on, Vestel is working without letup on IPTV-related projects. The first concrete step in this direction was taken in the area of Hotel TV in the form of the Hilton hotel chain's first interactive hotel TV application project at the İzmir Hilton.

Vestel launched an LCD module manufacturing investment less than two years ago and so far has invested more than USD 50 million in an ongoing effort to increase capacity. Vestel has begun supplying modules to other manufacturers and is now advancing towards the position of the sector's leader.

What are your goals for 2010?

In the period ahead, we will need to defend our strong position on the one hand while at the same time focusing on undertaking investments that address market needs on the other. In a sector that is largely driven by technological developments such as in consumer durables, I believe that erasing the effects of the recent economic crisis will only be possible by adopting innovation as corporate culture.

For companies like Vestel which are nourished by innovation and R&D, 2010 will be a year of progress. New product investments will provide the foundations on which the market may recover its former vigor. For this reason, developing new technologies capable of bringing value added to our products will be what powers sustainability in the period ahead as well.

Vestel continues to build on its reputation and prestige in the world giants league without any letup. In the future we will continue to progress confidently along our path of success thanks to our strong team, our innovative approach to production, our absolute commitment to quality, and our nature and consumer-friendly approach.

In closing I want to thank all our employees for their efforts and our business partners and customers for their confidence and preference while also expressing my sincerest best wishes to all our other stakeholders.

Executive Committee



(3)	(5)	(8)	(4)	(6)	(9)
	(2)	(1)		(7)	

1 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.

2 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 responsible for global trade and OEM sales.

3 İhsaner Alkım

Executive Committee Member

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

4 Cem Köksal

Executive Committee Member

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

5 Levent Hatay

Executive Committee Member

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

6 İzzet Güvenir

Executive Committee Member

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

7 Cengiz Ultav

Executive Committee Member

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

8 Özer Ekmekçiler

Executive Committee Member

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

9 Necmi Kavuşturan

Executive Committee Member

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



Management's Assessment and Analysis of Operational Results

Sectoral Review

As a result of the developments brought on by the global economic crisis, Turkey's LCD TV exports to Europe rose 45%.

Having grown deeper in the last quarter of 2008, the effects of the global financial crisis continued to be felt in 2009. Parallel to the overall global downturn, a number of LCD television assembly plants based in Eastern Europe either suspended operations or

shut down entirely. Because of their greater competitive advantage over Far Eastern producers (arising from Turkey's proximity to Europe) and also because consumer demand shifted to products in lower-price segments Turkish manufacturers actually increased their LCD TV exports to Europe by 45% according to ECID-published figures.



Management’s Assessment and Analysis of Operational Results

Turkey succeeded in beating out its Far Eastern competitors thanks to its geographically more advantageous position, to its low-cost but high-quality labor, and to its advanced supplier base.

In the domestic market, the rapid shift away from CRT TVs in favor of LCD TVs continued.

The effects of the global economic crisis made themselves felt in the domestic market as well. Although there was a 39% year-on rise in LCD TV sales last year (in line with the general move away from CRT TVs in favor of LCD TVs), that growth was unable to completely counter the effects of the crisis and total TV sales were down by 18% in unit terms.

While there were double-digit contraction in European white goods sales, Turkish manufacturers increased their market shares by exploiting their natural competitive advantages.

Demand continued to fall throughout 2009 and market conditions remained weak, resulting in double-digit contraction in white goods sales in Europe, the Company's major export market. In such an environment, Turkey's white goods manufacturers found it possible to increase their exports to Europe and to improve their market shares there on the one hand by exploiting their advantages of geographical proximity, low-cost but high-quality labor, and advanced supplier base and on the other thanks to shift of demand to lower-priced goods.

Thanks to tax rate reductions, the contraction in white goods sales was constrained to within the single-digit range in 2009.

In the domestic market, the negative impact of global crisis conditions on the general level of consumption stifled the demand for white goods as well. In March 2009, the

government reduced the rate of special consumption tax charged on white goods to zero for the next three months after which it announced that it would remain at 2% until September. This had the effect of releasing a considerable amount of postponed demand and caused the decline in white goods sales to remain in the single-digit level.

Turkey succeeded in beating out its Far Eastern competitors thanks to its geographically more advantageous position, to its low-cost but high-quality labor, and to its advanced supplier base. Having become an important production center for Europe in recent years, Turkey's position in this respect has become even more evident as a result of the global economic crisis.

It is expected that the effects of the recent economic crisis will gradually be erased in 2010 and that growth will regain momentum. In line with this, the contraction in global demand and trade that took place in 2009 should reverse itself and give way to greater consumption in 2010 and the years that follow.

Turkey's brown and white goods sectors themselves have strong potential for future growth for such reasons as a fast-growing population, low saturation rates in some product groups, and the ability to pursue growth in the domestic market by introducing products equipped with new technologies.



Vestel's Business Strategy

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

Sales

Vestel's total sales revenues in 2009 amounted to USD 3,002 million (USD 3,632 million in 2008). Exports accounted for 77% of total sales last year. Of these sales:

- 24% were made in Turkey
- 67% were made to European countries
- 9% were made to other countries.

In line with further market share gains in the OEM segment, Vestel increased its share of the European LCD TV market in 2009 while increasing its LCD TV exports in unit terms.

The following were the principal factors driving this growth.

- Demand in the European market remained strong parallel to the shift from CRT TVs to LCD TVs, also driven by ongoing price-demand elasticity.
- With its strong R&D and software base, Vestel is able to adapt quickly to new technologies. Combining its flexible production abilities and the advantage of its geographical proximity, the Company is able to fully satisfy customers' demands for differentiated products in the highly segmented European market while also enjoying a competitive advantages over Far Eastern competitors.

With the withdrawal of small-scale manufacturers from the LCD TV market in Eastern Europe, Vestel's control of the OEM market in that category has increased.

In its home market, Vestel increased its LCD TV sales more than the sector's growth rate, parallel to this Vestel also increased its market share in this category.

White goods sales accounted for about 35% of Vestel's total revenues in 2009. Despite double-digit contractions in white goods sales in the Company's major export market (Europe) in 2009, Vestel nevertheless essentially upheld its previous-year's export performance in the four main product groups. The Company's logistical advantages over Far Eastern competitors and a shift in European demand for lower-priced goods driven by the economic crisis played as great a role in the growth of market share last year as did the Company's expanded product line and flexible and fast manufacturing and delivery competencies.

In the Company's home market, the government tweaked the "special consumption tax" rate charged on white goods from March to September of the year in an effort to stimulate demand. The effect of this intervention was to keep white goods sales from sliding further than they did. Vestel is one of the biggest and leading players in the Turkish domestic market for white goods, of which it commanded a 12% share last year.



Management’s Assessment and Analysis of Operational Results

In line with the Company's strategy to exit from non-profitable segments exposed to Chinese competition, digital product unit sales declined by 65% in 2009 with a limited 2% share in consolidated revenues. Powered by the strength of its software competencies, the Company focused instead on manufacturing and selling TV-connected set-top boxes.

Profitability analysis

Despite a 17% YoY decline in revenues in 2009, Vestel's EBITDA (earnings before interest, taxes, depreciation, and amortization) was up by 16% to USD 382 million while its EBITDA margin increased from 9.1% to 12.7%.

The principal factors affecting profitability are summarized below.

- Improved profitability in TV segment in line with enhanced market positioning in the European market.
- Strong focus on inventory management and decline in average cost of raw materials, especially in white goods.
- Cost-containment measures were taken throughout the Vestel Group.
- A weaker Turkish lira worked to the Company's advantage as a net exporter.
- Domestic sales were bolstered by tax cuts.

Urgent measures that were taken to deal with the crisis in all Vestel Group companies had the effect of improving productivity at every level. Overall operating costs were down by 22% in Turkish lira terms in 2009.

In 2009 Vestel recorded a net profit of USD 47.9 million.

Indebtedness

At year-end 2009 Vestel Electronics' net financial debt amounted to USD 260 million. (USD 245 million in 2008.)

Investments

In 2009 Vestel adhered to a “minimum investment strategy” in the face of the continuing crisis environment. Total investment outlays amounted to USD 76 million last year.

Investments	USD million
TV and Other Electronics	65.3
White Goods	10.7
Total	76

Concerning the future...

Vestel expects that the growth in the demand for flat televisions will become even stronger in the European countries that make up its main export market as well as in Turkey due to the 2010 FIFA World Cup matches.

The Company believes that the global economy will shake off the effects of the recent crisis and return to the path of growth beginning in 2010 and that domestic and foreign demand in white goods will gradually increase in line with this. During this period, Vestel will seek to take bigger shares of domestic and international markets by making the best possible use of its high quality, new product launches, and brand recognizability.

Developments in product lines

A increasingly stronger position in flat TV

With the shift from CRT TVs to LCD TVs in the global market taking place even faster than anticipated, Vestel nevertheless had a strong presence by entering the European market along with other major TV manufacturers. The early collaborations that the Company developed with the firms that produce the special integrated circuits needed for LCD TVs played an important role in this success.

Vestel successfully completed the digital transformation simultaneously along with major manufacturers in the global market.

With its superior technology and design competencies, Vestel is in a position to make LCD TVs in all size categories from 14 to 52 inches. Taking advantage of its more flexible production and cost advantages, Vestel has always had a competitive edge in being able to produce a wide range of models. Because of this, the Company produces custom-made units for A-brand manufacturers and retail chains in the European market while also maintaining a presence in its own home market under the “Vestel” and the “Regal” labels.



12.7%

In 2009 Vestel’s EBITDA was up by 16% to USD 382 million while its EBITDA margin increased from 9.1% to 12.7%.

Although new competitors have appeared in flat TV production in Eastern Europe, the ongoing global economic crisis has reduced the number of actual producers by about half. Such developments support the growing trend towards relocating LCD production to Turkey.

Vestel successfully deployed crisis management and concentrated on innovative designs capable of reducing production costs. The Company further strengthened its market competitiveness by means of easy-to-manufacture units whose extremely small motherboards are fitted with integrated circuits capable of processing both analog and digital signals.

In digital modules, the significant competitive edge that Vestel enjoys continues to strengthen its market position.

The digital TFT-LCD TVs which Vestel produces, are all full-featured integrated digital TV (ID TV) receivers. As new-generation digital TV receivers, IDTVs receive and display analog broadcasts as well as terrestrial digital video broadcasts (DVB-T) and internet protocol (IPTV) digital broadcasts.

Changes are taking place in broadcasting standards in parallel with the need to make more productive use of bandwidth due to the increased demand for HD (high-definition) TV broadcasts in Europe. DVB-T2 digital terrestrial broadcasts began in the UK and other European countries in 2009. Vestel was one of the first firms in the market with innovative set-top box and TV products capable of supporting the DVB-T2 standard.

An important investment to ensure Vestel's enduring market presence

In keeping with its powerful vision, Vestel has undertaken an important investment that will ensure it will always have a market presence both now and in the future. The Company's new factory built to make liquid crystal modules (LCM) and backlight units (BLU), two essential components of all flat TV receivers, was commissioned in 2008 and has already gained great momentum. The second firm in Europe manufacturing these modules, Vestel is now turning out 100,000 of them a month. Additional investments currently in progress are intended to quadruple this monthly capacity.

Vestel has begun using LED (light-emitting diode) technologies along with CCFL (cold cathode fluorescent lamps) in its screen backlight units. Products whose backlighting is provided by LED-based units not only use less electricity when in standby mode but also have higher contrast and color saturation ratings as well. The Vestel Pixellence LED TV, the first domestically manufactured LED TV in Turkey, was introduced to the market in 2009. By means of its LED TV designs, Vestel has increased not only its product line diversity but also its competitive strength thanks to their 100 Hz, 200 Hz, slimline, MPEG2/MPEG4, and SD/HD features.

Vestel Pixellence LED TV distinguishes itself by virtue of:

- Lower power consumption combined with superior image thanks to "local dimming", which allows light-emitting diodes to operate independently of one another and according to what is being broadcast
- More lively and realistic images thanks to their greater (5,000,000:1) dynamic contrast ratio
- Their PixLED feature, which provides greater depth in dark colors and more brilliance in light ones
- Perfect motion rendering thanks to a 200 Hz refresh rate
- Savings of up to 80% in energy consumption.



DVB-T2

DVB-T2 digital terrestrial broadcasts began in the UK and other European countries in 2009. Vestel was one of the first firms in the market with innovative set-top box and TV products capable of supporting the DVB-T2 standard.

Management's Assessment and Analysis of Operational Results

Huge demand for slimline designs

"Super slim" designs number among the products in the Vestel portfolio for which there is the most intense demand. The Company's slimline products represent a perfect blend of design and technology, incorporating as they do the high-tech visual quality enhancement algorithms used by Pixellence. In all of these products, attention is given to both usability and ergonomic design criteria in order to increase their appeal and attractiveness to their users.

Nearly 0 electricity consumption in stand-by mode: Eko TV

Turning its attentions to the use of more environment-friendly technology and to products that consume less energy within the framework of the latest "green technology" approaches, Vestel has developed Eko TV which uses 50% less electricity when operating and which reduces almost to zero when in stand-by mode. Environment-friendly Eko TV's criteria have become a design standard.

A high-tech subject to which R&D attentions began to be devoted in 2009 was 3D TV. The Company is currently working with universities on this matter while work on technical issues has also been speeded up.

Correct strategies and strong market position in white goods

Vestel has completed its basic product line investments in white goods as prescribed by its growth strategy. It continues to invest in R&D and in new model development while undertaking capacity increase investments in view of market prospects.

In 2009 Vestel continued to conduct manufacturing and sales activities under the OEM/ODM agreements that it has entered into with the world's giant home appliance names. The Company has been strengthening its position as the leading supplier of OEM/ODM services to the European white goods market for many years.

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

Strengthening the Company's presence in Europe

Vestel successfully adheres to a strategy of strengthening its position in Europe with an array of different brands that includes Vestfrost, which is especially well known in northern Europe.

Offering major manufacturers an attractive business model, Vestel has the ability to produce for two such important markets as Russia and Turkey while deploying a flexible production model capable of making goods for a huge region that encompasses both of them as well as European, CIS, Middle Eastern, and North African countries.



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

Twelve-minute washes with Vestel TwinJet

Environment-friendly Vestel TwinJet washing machines save time, energy, and water. With its "Super Fast Program" TwinJet can do a wash of not very dirty laundry in just twelve minutes' time while reducing the time it takes to do a normal load at 60° C from 150 minutes to just 60. Vestel TwinJet washing machines use 35% less energy than A energy class washing machines do. In addition to saving time and electricity, their low water consumption saves up to 2.2 tons of water a year. Vestel TwinJet's other attention-grabbing features include an 8-kilogram capacity instead of the usual 7.5, fifteen different programs, and additional rinsing, wrinkle reduction, and antibacterial washing functions.



Advantages such as lower production costs, flexible manufacturing, and more reasonable shipping charges mean that Vestel is less affected by Chinese and Far Eastern competition in the white goods business line.

Product line expansion driven by innovative, environment-friendly products

Making effective use of its R&D and industrial design strengths to supply the market with innovative products, Vestel focuses on developing products that are environment-friendly, energy-efficient, and function-enhanced.

Following up its success with the environment-friendly dishwasher technology of Ecowash, which was developed in 2008 and which saves both electricity and water, in 2009 Vestel launched its TwinJet washing machines, whose advanced technology not only saves time but also draws attention with their reduced energy and water consumption.

Vestel Maestro: Turkey's first and only MP3-compatible refrigerator

Vestel Maestro delivers everything you might expect of a refrigerator and more. Besides its built-in MP3 player and voice message recording features, Vestel Maestro's reminder/timer feature helps bring order to the kitchen. A larger interior makes the Maestro easier and more convenient to use while its A+ energy rating maximizes energy efficiency. Blending technology and design, Vestel Maestro's touch-operated LED screen, glassed exterior, and illuminated glass shelves give it an extremely elegant appearance. Vestel Maestro makes the very latest development in refrigeration appliance technology available to users while its 3D cooling system ensures even cooling and helps keep foods fresher longer. An "economy mode" feature also allows these refrigerators to operate more economically.



Management's Assessment and Analysis of Operational Results

In addition to these products, a number of other products also joined the outstanding Vestel market lineup in 2009:

- The Junda line of washing machines, which have outstanding ergonomic features while conserving both energy and water.
- Platinum A Inverter air conditioners, which use significantly less energy in both their heating and cooling modes while their Bio Trio technology destroys ambient bacteria.
- The Lera line of cookers, which are equipped with a 100%-secure gas safety system.
- The Maestro line of refrigerators, whose MP3 player and voice message recording features reveal Vestel's unique design and product customization competencies.

The leader of the European market in digital products

Among Europe's major set-top box manufacturers, Vestel has developed original design and software features that distinguished it from other STB makers in Turkey as well as in Europe.

Making a significant volume of its sales to developed markets like the UK, France, Italy, Germany, and Spain, Vestel manufactures and offers a rather extensive array of products that include the full line of terrestrial (DVB-T), satellite (DVB-S/S2), cable (DVB-C), and IP compatible set-top boxes. All of these products are marketed in versions capable of decoding both MPEG2 and MPEG4 (H.264) broadcasts and of receiving and displaying both standard-definition (SD) and high-definition (HD) broadcasts.

Vestel also designs and manufactures goods for domestic and international market operators. The new-generation terrestrial digital broadcasting technology DVB-T2 STB that Vestel developed for the BBC in 2009 was the first device of its kind to be awarded certification by that broadcaster.

In PVR (personal video recorder) STB products, Vestel is the market leader in the UK. Vestel also sells set-top boxes to countries like Australia and Israel where advanced terrestrial broadcasting is already available. The Company also plans to enter new markets such as Iran and South Africa in this business line during 2010.

The future is in IP technologies

IPTV (Internet Protocol television) applications making use of broadband data transmission are becoming increasingly more common in the television industry around the world. IPTV is a technology that brings together TV, computer, DVD, VOD (video on demand), and telephony features all together on the same platform.

In addition to being one of the world's biggest TV makers, Vestel is also the first electronics manufacturer in Turkey to work on IP technologies and is currently engaged in a non-stop effort in the area of IPTV. The Company is involved in leading-edge R&D looking into both device production and content creation.

Digital signage, Hotel TV, Hospital TV applications

Vestel supplies digital signage which can be used with a variety of software blocks and applications on the same IPTV hardware, which combines both informational content and advertising, and whose content may be continuously updated as needed. In addition to manufacturing digital signage equipment, Vestel also supplies completely integrated service in such matters as system management and content procurement.

New IPTV products: VesTV

Vestel leads the way in the sector through intensive R&D involving new IPTV technologies

Having developed IPTV software capable of being integrated into normal television sets, Vestel has laid the groundwork for delivering all forms of IPTV content via a single TV. The VesTV project, whose aim is to make all internet functions accessible through a normal television set, is one example of Vestel's TV-integrated IPTV software development. With VesTV users will be able to view video content on their favorite websites on their own televisions while much of the other content offered by the worldwide web such as weather reports and news will also be accessible in the same way.

IPTV

Among the world's biggest TV producers and the first local electronics manufacturer in Turkey to explore IP technologies, Vestel continues to work on IPTV hardware and software applications without letup.

In the area of Hospital TV, another aspect of IPTV, Vestel provides multidimensional content in collaboration with Birim Bilgi Teknolojileri, a firm that specializes in medical informatics. With Hospital TV, patients will be able to watch television programs and movies in their rooms and use the system as a telephone or PC to connect to the internet, take part in video conferences, and view their hospital accounts.

In line with its long-term strategy, Vestel is also investing in the areas of:

- **Medical software**
- **Renewable energy**
- **Defense industries**

Medical software

Under the heading of medical software, Vestel's subsidiary Birim provides integrated software, hardware, infrastructure, and personnel solutions for the outsourced automation of hospitals' medical information systems. Birim serves many medium to large hospitals located in different parts of Turkey. As a provider of integrated medical information system solutions, Birim's goal is to expand its leadership in digital healthcare applications in Turkey into other countries in the region.

The Digital Hospital Project: An international model in the area of medical informatics

By means of Birim's "Digital Hospital" project applications developed as part of its Hospital Information Management System, all patient-related diagnosis and treatment information is recorded in electronic format and maintained in the hospital's central computer system. In addition to a patient's day-to-day progress, all medical imaging information produced by means of X-ray, ultrasonography, tomography, and MRI can be maintained and viewed in electronic format.

Most recently, attentions are being concentrated on digital hospital applications in Turkey. Projects that Vestel is currently working on in such major medical institutions as the Kayseri, the Erzurum Regional, and the Şişli Etfal training and research hospitals are being pointed to as successful applications of digital healthcare systems around the world.

Renewable energy

Vestel is working on a number of projects to develop systems for generating electricity from alternative renewable energy resources such as wind and sun as well as hydrogen derived from renewable resources.

Defense industry

Drawing on Vestel's design and production strengths, 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.

In the area of Hospital TV, another aspect of IPTV, Vestel provides multidimensional content in collaboration with Birim Bilgi Teknolojileri, a firm that specializes in medical informatics.





Right-foot Forward into Tomorrow...

Vestel's R&D Strategy

- Develop technologies and play a leading role in areas that will ensure the sustainability of the Company's competitive position
- Develop nature- and user-friendly consumer products which are innovative, which provide value added, and which make efficient use of energy and natural resources
- Satisfy different customers needs through greater product customization
- Further advance the Company's leading position in LCD TV and digital set-top box technologies
- Achieve a superior position in IP technologies through software development and content provision competencies.

6 R&D centers

800 R&D engineers
About 60 million dollars spent on R&D
in 2009

Right-foot Forward into Tomorrow...

R&D that sets the trends in the electronics market

Despite the prevailing crisis environment, 2009 was a year in which R&D work continued without letup and important progress was made in electronics.

In the wake of thin-screen LCD and LED TV, attentions were directed to turning 3D TV technologies into products while at the same time both IPTV and connected TV, which have been showing signs of becoming the engines of future innovation for several years and which rise on the foundations of content development and customization, emerged as the near term's most trend-setting products.

The most problematic of the difficulties with IPTV are not technical but are concerned instead with content provision. Because of this, a new initiative has emerged that is developing in parallel with it. Called "Hybrid Broadcast Broadband" (HBB), this takes advantage of the superior content that is already available via normal broadcasting.

These developments give an advantage to manufacturers whose R&D abilities to come up with quick solutions give them good content development and customization competencies.

Because of the mechanical, electronic, and software R&D work that the Company has been carrying out for many years, Vestel has a competitive advantage in this area as well.

Vestel remains the leader of the UK market for digital set-top boxes and, having commenced production of DVB-T2 units as well, is now vying for first place in that market as well. Vestel developed the first STB to receive DVB-T2 compliance certification in the UK and is now one of the first companies to supply DVB-T2 set-top boxes to world markets.

Having begun in the UK, this new digital broadcasting technology is expected to spread around the world in a very short time. Vestel intends to begin making DVB-T2-compliant set-top boxes in 2010 with televisions to follow.

Coming soon: Pixellence II

With the impending introduction of Pixellence II, Vestel will be achieving even higher levels of image and audio perfection in its TV units. At the same time, the Company is also focused on gaining recognition for itself as the market's supplier of products that fully support HBB.

The next step in LED TV...

The number of LED (light-emitting diodes) that can be used behind the LCD panel of a LED TV is limited as much by cost constraints as by the fact that LED illumination bundles cannot be made very much smaller. Organic light emitting diode (OLED) technology will make it possible to completely eliminate the existing bundles of inorganic diodes because their organic kin can be reduced to the size of a single pixel. There are a number of technical and economic barriers that currently make it unfeasible to use OLED technology in truly large-sized screens however it is thought that it will be possible to overcome them over the next three years (2010-2012). Vestel is formulating its medium-term plans in light of developments in this area.



Having produced Turkey's first LED TVs taking advantage of its abilities to develop chips incorporating digital software and patented algorithms, Vestel has set its sights on bringing a 3D TV to market in 2010.

Turkey's R&D center

R&D at Vestel Electronics

Vestel deploys its own R&D infrastructure in an ongoing effort to transform information into technology and technology into products by collaborating with universities and through national and international project partnerships.

Supplying consumer electronics products incorporating original designs to a huge customer base, Vestel conducted a general review of its R&D efforts and reorganized them in line with a number of strategic decisions that it made.

All of the organizational changes that were made in Vestel's R&D activities were informed by three basic objectives:

- Minimize logistical costs
- Speed up product developments processes and times
- Increase synergies in R&D efforts by bringing all areas that are technologically compatible with one another under a single roof.

The existing R&D structure was reevaluated by means of a logistical effectiveness/project resource management matrix. The result was a 20% level of rationalization in personnel.

Vestel has the ability to simultaneously carry out a large number of projects at different R&D locations based on customers' needs.

Vestel's R&D projects are organized and carried out under two main headings: Display Group projects and Set-Top Box Group projects.

Vestel Electronics' R&D activities in 2009 were carried out by R&D Center 1 (High-End), R&D Center 2 (Main) and its Digital R&D unit in Manisa, by Vestek at the İstanbul Technical University technopark in İstanbul, and at the Middle East Technical University technopark in Ankara; and by Cabot UK in Bristol, England.

In line with the strategic decisions that were implemented in 2009, Vestel Electronics transformed crisis into opportunity. Priority was given to productive projects in order to make more effective use of R&D resources. The Company avoided projects whose market success seemed to be uncertain or whose ability to create value added looked to be relatively low. R&D attentions were directed instead to projects whose near-term impact was more clearly visible.

Keeping a close watch on changes in broadcasting standards applicable to digital broadcasts in different European countries and to their more effective use in the future, Vestel R&D has been undertaking a number of high-priority projects on this issue.

The growing demand for HD (high-definition) broadcasts has made it necessary to make more productive use of bandwidth in digital broadcasting.

Vestel was one of the first firms to make a device compatible with the DVB-T2 standard (test broadcasts of which began in the UK) and to receive Digital TV Group (DTG) compliance certification for it.

After the UK, DVB-T2 began to spread into other European countries as well.

Here in Turkey, consideration is being given to using DVB-T2 in terrestrial broadcasting too. With its existing STB solutions and knowledge and experience in this area, Vestel is already in a position to provide the new system with all the support it will need in Turkey.



Vestel was one of the first firms to be granted "R&D Center" status by the Ministry of Industry and Commerce as prescribed in Statute 5746 concerning the support of research and development activities in Turkey.

Right-foot Forward into Tomorrow...

DVB-C2 technical specifications published

Another important development in 2009 was the publication of the technical specifications for the DVB-C2 standard, which operates 30% more efficiently than DVB-C. As soon as IC (integrated circuit) solutions with DVB-C2 support are ready, a project will be initiated to develop DVB-C2 compatible set-top boxes at Vestel.

Since the appearance of IP-based solutions, Hybrid Broadcast Broadband TV (HBB TV) has made great progress. This has led to the development of a hybrid approach to DVB-S/DVB-T based broadcasts in Europe.

With the launch of HBB TV in Germany in 2009, server support was added to a number of the channels of digital platforms broadcasting with the DVB-S standard. A command shortcut sent out via the channel makes it possible for a user to connect to interactive services with a single button.

These interactive services include features such as electronic program guides (EPG), video-on-demand (VOD), and IP streaming, among others. Vestel is currently working on developing set-top boxes that support HBB TV with the aim of exporting hybrid DVB-S/IP STB products to Europe in the very near term.

Combating piracy with CI+ technology

Advances in CI+ (CI Plus or Common Interface Plus) copy-protection technology represented another important line of development last year. With the spread of HD broadcasting and its correspondingly and increasingly greater content costs, content producers sought ways to prevent

unauthorized copying and distribution and to protect intellectual property rights. One result of this effort was CI+ technology.

With CI+, module and STB CI designs have been rendered much more secure while efforts have been made to help prevent the system's being deliberately circumvented. CI+ has become a feature that is in demand in all products employing the CI interface. After the introduction of this technology, Vestel began working on turning it into products with the result that it was one of only a handful of firms in the world to have a CI+ certified set-top box readied.

With the introduction of 3G in Turkey's GSM sector in 2009, there has been a significant rise in mobile internet data transfer speeds.

In order both to increase 3G capacity and to resolve a number of problems with mobile connections, a solution has been found in the form of localized GSM base stations called "femtocells".

A femtocell is a small cellular base station the size of a modem. Femtocells make it possible to extend service coverage indoors, especially where access would otherwise be limited or unavailable. Depending on their type, they are capable of serving four or sixteen mobile phones simultaneously. Vestel has launched its own femtocell project to produce femtocell units, which will be supplied to users by their own GSM operators.

With high-speed internet now the norm rather than the exception in many locations, the market for IP-based solutions is also

expanding rapidly. As a result of a project undertaken to address growing needs in this segment, Vestel now supports the STB-supplier side infrastructure of the IPTV system that Türk Telekom will be bringing to market soon.

Activities carried out in line with the Vestel R&D team's project management strategies continued to produce successful results in 2009.

The activities of Vestel's R&D units were carried out by separate teams individually responsible for industrial design, mechanical design, hardware design, software design, testing and verification, patent rights, and project support during the product development stage.

There were notable national and international successes last year in the area of industrial design. Many products made by Vestel are the recipients of numerous European awards in the "best performance" categories.

More than 30 patent applications

In addition to international patent activities, during 2009 Vestel continued to contribute to Turkey's patent pool by submitting more than thirty patent applications to the Turkish Patent Institute.

The CE certifications of Vestel products are carried out by Vestel Electronics' safety and electromagnetic compliance laboratories jointly with Emitel AG, Intertek Semko, TUV, VDE, and SGS laboratories with which they are partnered in accordance with EN 17025 laboratory accreditation criteria. Other testing and approval activities were also conducted.



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Vestel R&D is now authorized to issue electromagnetic compliance certifications.

On 13 October 2009, Vestel's electromagnetic compliance laboratories were accredited by TÜRKAK (Turkish Accreditation Agency) and authorized to issue electromagnetic compliance certifications.

World Class Quality Program

In line with its continuously improving quality activities, Vestel Electronics launched a comprehensive program in 2009 to reduce product return rates.

Under this program, carried out under the heading of "World Class Quality", production performance indicators were identified with the aim of achieving "best performance" in line with comparisons made in production-phase criteria.

As of December 2009, significant progress had been made in approaching targets, a result towards which R&D made a big contribution through its product development and production design activities. During 2009 Vestel gave additional attention to a number of automation projects such as the "Vestel Test Automation And Management System", whose aim is to achieve "Zero Human Error" in its manufacturing processes.

Product digitalization, high-definition, portability, and connectivity technologies were the four axes of the Company's R&D efforts.

Vestel keeps a close watch on potential future developments by taking part in European Union Framework Programs (FP7) and Eureka cluster project consortiums that are compatible with its own R&D vision and strategies.

Vestel takes part in joint international efforts and enters into collaborations in order to ensure the continuity of its R&D work and to strengthen its own technical infrastructure.

International collaborations are beneficial to Vestel R&D because they allow the Company to:

- Work together with Europe's leading firms
- Join teams that shape the course of future technologies
- Be a part of long-term strategic projects
- Take part in pre-competition joint research
- Have prior knowledge about forthcoming standards and technical specifications in the areas of its interest
- Submit project applications faster and more easily.

The roster of Vestel Electronics' design successes

REDDOT Design Award

- RC 3900 Remote Control
- RC 3910 Remote Control

Good Design Award

- 42840 LCD TV
- 42842 LCD TV
- Wave Remote Control
- Pearl TV User Interface

IFA PlusX Award

- Plus X 2010
- SKY All-in-one PC, 40842 LED TV
- Fashion TV User Interface (UI)
- Blackpearl TV User Interface (UI)
- RC5110 Remote Control
- RC3920 Remote Control
- Leia IPOD-Dock TV
- 40840 LED TV
- RC5100 Remote Control



Vestel's electromagnetic compliance laboratories were accredited by TÜRKAK (Turkish Accreditation Agency) and authorized to issue electromagnetic compliance certifications.

Right-foot Forward into Tomorrow...

An R&D success story in the UK market
Cabot Communications Ltd has been providing complete software solutions for DVB products since 2001 when it joined the Vestel R&D group.

In the wake of its successful introduction of its DVB-T receiver software and MHEG-5 interactivity system to the UK market, the Cabot R&D team developed a mass-storage equipped digital video recorder (DVR) for DVB products. Freeview Playback features, which are rapidly becoming the standard for video products in the UK, are being incorporated into DVR models.

The most important development in the DVB sector in 2009 was the introduction of the DVB-T2 system, which is 50% more efficient than DVB-T. In 2009 this system was inaugurated by BBC in the UK, which is one of the world's foremost markets for digital terrestrial television broadcasting.

The immediate outcome of Vestel's collaboration with BBC and DTG was the Company's market launch of the world's first DVB-T2 certified STB product. Vestel is still one of only three companies that are making set-top boxes with DVB-T2 support for the UK market.

Vestek: The creator of the “Pixellence” image processing engine

Vestek is the creator of the “Pixellence” image processing engine, which was developed in 2006 and which consists of image improvement algorithms whose worldwide patent rights are owned by Vestel. Vestek subsequently began to apply this technology, which has gained widespread recognition and admiration in the market, to Full HD LCD TV units as well.

In the wake of the success of its Pixellence technology, Vestek decided to incorporate it into a chip with the aims of making its image enhancement algorithms available to a broader range of customers and of



increasing profitability by reducing the technology's costs.

An agreement was reached with STMicroelectronics under which an ASIC (application-specific integrated circuit) project was launched in which Vestek provided the design and STM the manufacturing capabilities. This project was successfully brought to completion with the integration of the new chip into Vestel-made LCD TVs.

The Pixellence ASIC represents the first integrated circuit in Vestel's history that was originally and completely designed by the Company's own engineers.

Introduced in 2009, the Pixellence chips are now being used in all Vestel-made televisions.

Devoting increasingly more of its attentions to the subject of image enhancement, Vestek is striving to make its image rendering engine even better.

Vestek has developed a new version of its image rendering engine. Dubbed "Pixellence II", it contains an expanded pool of algorithms which not only improve image quality but which also reduce noise and pixelation in both analog and digital broadcasts. All of these new algorithms have been included in the Pixellence II ASIC which contains the new version of the Pixellence engine.

Televisions incorporating Pixellence II will start coming onto the market in 2010.

In 2009 Vestek distinguished itself as the team providing the technology for Vestel's and Turkey's first LED TVs. With the implementation of LED backlight control algorithms also developed by Vestek, mega-contrast levels were achieved in Vestel-made televisions for the first time while power consumption was reduced by up to 80% or so.

Thanks to its LED TVs, Vestel was able to position itself in the market much earlier than other national and some international competitors. The high quality solutions that the Company offered made a great contribution to its brand strength and value.

Coming soon: Turkey's first 3D TV

Vestek began working on 3D TV in 2009 and continues to do so. The first prototypes of 3D TV units have been built at Vestel and 3D rendering demos have been conducted. The 3D algorithms which have been developed and the demos which have been made are being used in the development of Vestel's first 3D TV units, which are to be put on the market before the end of 2010.

Vestek is also involved in work to develop a TV portal that will make it possible for TV viewers to access the rapidly-growing volume of multimedia content available over the internet by means of televisions made by Vestel.



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Right-foot Forward into Tomorrow...

Vestek was the first in Turkey to make use of CE-HTML, a programming language which makes it possible for internet content to be viewed by means of consumer electronics (CE) devices such as televisions.

TV portal server service designed by Vestek using the CE-HTML programming language is slated to be introduced to the market simultaneously with the Vestel network connected televisions that are to become available during 2010.

Vestek has developed a new version of its image rendering engine. Dubbed "Pixellence II", it contains an expanded pool of algorithms which not only improve image quality but which also reduce noise and pixelation in both analog and digital broadcasts.

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

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

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

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

- Developing and implementing new technologies
- Designing new products
- Making products environment-friendly
- Improving products
- Increasing productivity and lowering costs.

Enhanced R&D effectiveness

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

The aims of Vestel's R&D units and of the Technology Development Center are to contribute towards increasing Vestel's

competitive advantages in international markets and towards improving customer satisfaction by further developing the products for which they are responsible.

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

- Closely monitor technical, academic, and industrial developments related to white goods and keep abreast of sectoral innovations and trends.
- Engage in basic laboratory research looking for results that can be adapted to products as innovative features.
- Keep a close watch on customers' needs and wishes through customer visits and by attending fairs and exhibitions. Design new products and modify existing ones accordingly.
- Design products incorporating enhanced functions and features and improved production parameters.
- Carry out trial production so as to obtain pre-manufacturing qualification for newly designed or improved products.

Superior design and product customization features

Keeping a close watch on the sector while developing products for different target groups, Vestel has a very good understanding



of consumer expectations in different parts of the world. Design and technology features are developed taking local preferences and needs into account, which makes it possible to customize products whose functions are compatible with sociocultural, climatic, and similar constraints.

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

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

Products that are mindful of both the present and the future

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

In addition to such issues as making use of recyclable materials, less energy, and less water and of discharging less in the way of chemical effluents into the environment, R&D activities also concentrate on technologies

which make product user interfaces more ergonomic and which allow products to automatically detect what parameters should be used.

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

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

Patents in 2009

- 17 registered patents/utility models
- 7 registered industrial designs
- 2nd place in the Turkish Patent Institute's "Registered Patents" league table

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





Vestel: Keeping in Touch with the Consumer

The Vestel “Friendly Technology” pledge

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

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

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

Vestel is now closer than ever to the consumer...

The foundations of the “Friendly Technology” communication strategy are rooted in ongoing efforts that will support the Vestel pledge in all communication channels and at every point where the Company comes into contact with consumers. This includes ensuring that the “Friendly Technology” brand pledge is made apparent through dealerships and service outlets, who represent the Vestel name in the eyes of consumers. A communication and empathy-based service approach that is close to the consumer at dealerships and service outlets support the concept of “friendship”. In addition to these ways, Vestel also communicates with its customers through many other channels, including its call center.

Among top 10

Vestel has been one of the ten most recognized brands in Turkey for a decade. According to Nielsen’s 2009 survey, it ranked in seventh place among the trademarks that first come to consumers’ minds.



Vestel: Keeping in Touch with the Consumer

“Friendly Technology” advertising campaign

Shaping the “Friendly Technology” concept on the basis of an emotive bond with the consumer, Vestel is supporting its mission of “making life easier through advanced technology” by means of a new advertising campaign. The new advertisements reflect Vestel’s innovative aspects through their visual richness and concepts.

The new series of advertisements focuses on the “human-like adventures” of robots which have mutated from Vestel products and which not only make life easier for the families with which they live but which also act a “guardian angels” of a sort. The main thrust of these ads is draw attention to Vestel’s friendly technologies.

Vestel also supports its “Friendly Technology” brand pledge through a number of subtexts in its advertising. Vestel’s environmental awareness-informed actions in the products that it manufacturers and in its production processes is reflected through the “nature-friendly technology” concept. Products are produced which satisfy all of the technological needs of future generations. In one sense, Vestel is in a race against time and this approach is symbolized through the advertisements’ “future-friendly” message. At the same time, Vestel product quality is also being supplied to millions of consumers in the 127 countries that make up the Company’s huge export atlas. Vestel’s export prowess is an expression of its “world-friendly” technology.

Another Vestel first in consumer electronics and home appliances

Vestel achieved yet another of its firsts with the addition of a new delivery channel to its existing lineup. Vestel has recently completed a year-long project to make sales over the internet. Combining the strengths arising from its own channel through 1,050 exclusive stores, this represents an important step forward for Vestel. Products sold via the web qualify for an extended six-year warranty period, which is twice the length of the normal three-year one.

A strong and extensive distribution network

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

With the rapid entry of international electronic goods marketing chains, competition in the Turkish market has become even more intense. Nevertheless Vestel Durable Consumer Goods Marketing distinguishes itself from retail “technomarket” chains thanks to its superior product quality, to a specialized approach to retailing that reflects its multibrand experience, to an extensive dealership network, and to flexible, high-quality, and customer-focused service.

The colocation of dealerships and service outlets under the same roof gives the Company a competitive advantage from the standpoint of management along with a superior ability to respond quickly and effectively to customers’ needs and problems.

Vestel Durable Consumer Goods Marketing:

- Takes a customer and sales-focused approach through its “concept stores” and multi-brand strategy.

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

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

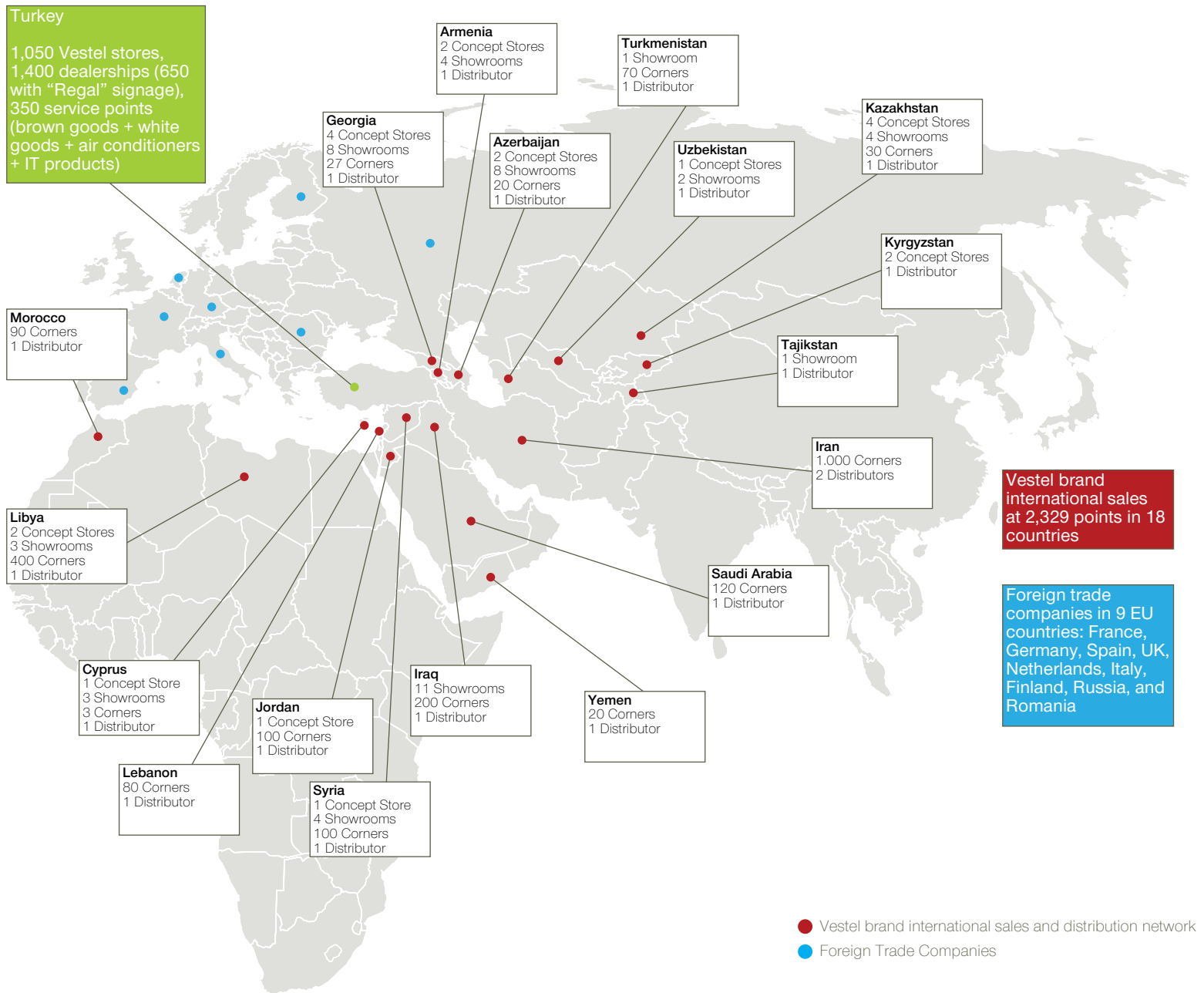
On the international front...

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

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

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





Vestel Foreign Trade

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

A strong competitive edge in foreign markets thanks to its flexibility in meeting customers' needs, a talent for adapting quickly to changing market conditions, and a strong and sure hand in after-sales services are Vestel Foreign Trade's most valuable competitive advantages in international markets.

Vestel's superior distribution and service network advantages

- 350 service outlets in 81 provinces
- The Vestel difference in factory-to-home delivery
- Product installation and instruction in the consumer's home
- Comprehensive, one-stop service for both home appliances and electronics
- Online sales

In Turkey, Vestel Durable Consumer Goods Marketing serves customers through an extensive sales and servicing network consisting of:

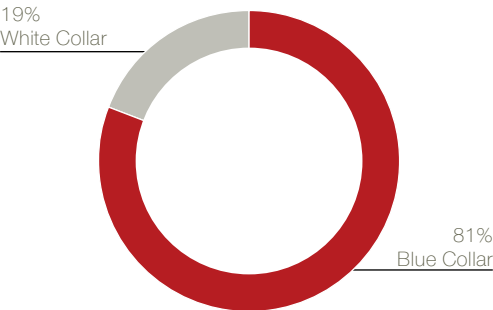
- 1,050 Vestel stores
- 1,400 dealerships (650 with "Regal" signage)
- 350 service points (brown goods + white goods + air conditioners + IT products).

Vestel: The Power of “Collective Wisdom”

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.

The Vestel Group has 10,062 people on its payroll, of which 1,899 are white collar and 8,163 are blue collar workers. Of the group’s employees in management (chief or higher) positions, 114 are women.

Employee Profile



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

Vestel Human Resources Policy

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

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

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

A basic principle is to make use of the Group own human resources when meeting requirements insofar as possible.

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

Training in 2009

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

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 January-December 2009 was 8 hours per person. A total of 623 people took part in training sessions in the areas of technical development, corporate/ individual development and management development. In 2010, Vestel continues to collaborate two universities (Bilkent and Özyeğin) in its manager development programs. More than 120 training programs are currently being conducted by training firms which Vestel has entered into agreements with.

Company	People	Average Training Time
VESTEL WHITE GOODS	379	14
VESTEL R&D	290	10
VESTEL ELECTRONICS	407	6
VESTEL DIGITAL	54	6
VESTEL FOREIGN TRADE	98	6
VESTEL DURABLE CONSUMER GOODS MARKETING	273	5
DEXARNET	8	4
VESTEK	39	3
DEXAR	20	1
TOTAL	1,568	8





Vestel Strives for Sustainability

Corporate Social Responsibility

Quality, environment, and occupational health and safety approaches and 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 seeks to be a strong, global player in all of its dealings with its employees, customers, dealers and suppliers.

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.

Zorlu Holding subscribed to the Global Compact in 2007 and in 2009 it published its first progress report in which was described what had been done to achieve greater sustainability since then. As a member of the Zorlu Group, Vestel White Goods' own efforts in achieving sustainability as prescribed by the Global Compact were also mentioned.

Vestel Strives for Sustainability

Vestel regards operating with due care for the health and safety of all those who are in contact with its products and services and protecting the environment and nature on behalf of future generations as numbering among its most important missions. 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 environment policy which Vestel has adopted and to which it is fully 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 as 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.

Energy conservation at factories and offices

In addition to reflecting its philosophy of making efficient use of resources in its products, Vestel also takes pains to ensure that attention is given to environmental awareness in all of its processes.

Besides efforts to use energy more efficiently by putting compressed air and cooling water from production processes to work in heating and cooling offices and factories, measures are also taken to reduce electricity costs. Factories are equipped with the latest technologies and this makes it possible for them to use less in the way of electricity and natural resources. Energy efficiency is another issue to which attention is given in training programs.

Through such efforts, we are helping to combat global warming while also making it possible to manufacture products at lower costs and offer them to customers at lower prices.

Compressed air systems

- A frequency-controlled system has been installed in air compressors. Frequency-controlled compressors make it possible to automatically adjust motor speeds according to the amount of air that is being used. This prevents motors from working more than they need to and thus reduces electricity consumption.
- Regular checks are made for leakage in compressed air systems. Leaks are reported immediately.
- Machinery air valves have been repositioned to make them more accessible. They are kept closed when machines are not operating.

Water cooling systems

- Thermostatic valves have been installed on parts of machinery that need to be water-cooled. This reduces the amount of water that must be used for cooling.
- The insulation on cooling water lines has been renewed.

Reducing electricity costs

- Machinery is not operated unless absolutely necessary during peak use hours (17:00-22:00), when premium rates are charged.
- Meters have been installed on machinery to keep track of how much electricity is being used.
- Pressure and temperature controls have been automated on cooling, service, and hot water pumps. This has reduced the amount of electricity that the pumps must use.
- Machinery capacities have been increased to enable more to be produced in less time, which reduces overall energy costs.

Reducing the amount of electricity used for lighting

- Electronic-ballast fluorescent lamps are used.
- Temperature, light, and motion detectors have been installed in places where appropriate.
- Lights are turned off when production operations are not going on.
- Measurements are made using light meters to identify places where there is too much illumination so that appropriate measures can be taken to correct the problem.

Vestel's philosophy of making efficient use of energy and natural resources doesn't just apply to its products. The Company also makes sure that its production facilities do as well.

Office/factory heating/cooling systems

- Heat pumps are used to heat and cool offices that are too far away from factory cooling water lines.
- Natural gas systems are regularly checked for leaks.
- Office doors are kept closed.
- Factory exits are kept closed.

Training activities

- On-the-job training now includes energy-conservation components.
- An energy manager has been designated as the head of a commission that meets regularly to identify energy conservation issues and determine what action needs to be taken.
- Employees are informed about such issues as waste and battery recycling by means of copies of environment-related brochures that are put up periodically on bulletin boards throughout the Company.

Activities at the Vestel City complex

- Units have been installed to reduce flow rates on washbasin faucets to reduce the amount of water used by office personnel. This has achieved savings of up to 70% in the amount of water used for such purposes.
- The environmental impact of the forklifts in use has been reduced by converting them to electrical engines.
- Personnel transport vehicles have been modernized in order to reduce their environmental impact.
- At the Vestel White Goods cooking appliance paintshop, the generation of zinc phosphate sludge has been completely eliminated by means of a change in the chemicals that are used in the production

process. This prevents the creation of about 1.7 tons of phosphate sludge every month.

- Energy is conserved by using only cold water in the operation of the 24-ton bath.
- Still more energy is conserved by switching off two of the circulation pumps.
- Savings have been achieved in the amounts of mains water and nitric acid used in cleaning tanks. For example the change in the activation bath alone has resulted in savings of about 8 tons of water a week.
- The Vestel City complex has been awarded class A emission certification. Emissions are systematically checked once every two years.

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

In all of its activities, Vestel strives to completely eliminate or at least minimize work-related accident and fire risks, to create a safe working environment in all of its plants, and serve as an example with an occupational health and safety system at world standards by fostering an awareness of occupational health and safety issues among all employees.

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

- Fulfills all of the requirements of laws, regulations, and administrative provisions; complies with the rules of the organizations

of which it is a member; and continuously ensures that international standards, new technologies, and employee suggestions are incorporated into its policies and practices concerning such issues.

- Identifies and analyzes its occupational health and safety risks and develops and implements plans aimed at preventing work-related accidents and diseases.
- Ensures that its personnel at every level are aware of their responsibilities for occupational health and safety and provides continuous training on health and safety risks so as to inculcate correct habits and behavior.
- Adheres to the principle of "the right person for the right job" in its efforts to prevent or minimize work-related accidents.
- Eliminates or at least minimizes work-related accidents, unsafe conditions, and unsafe activities at workplaces in order to prevent or reduce work-related accidents while also frequently reviewing working conditions and taking appropriate measures when problems are identified, ensuring that such measures are provided with the resources they need to be effective, and reviewing occupational health and safety policies and practices in light of changing conditions and requirements.

Products that are environment-friendly and energy-efficient

According to EU "20/20/20" directives concerning global warming, televisions and home appliances number among the 14 product groups that must be environmentally friendly.

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

Vestel Strives for Sustainability

Vestel Electronics

Vestel Electronics has held TS-EN ISO 9001 certification since 1993. The Company deploys a management system that disciplines all the primary and secondary processes involved in everything 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 ISO 14001 Environmental Management System certification since 1998. The Company was last subjected to an environmental impact audit in 2005, according to whose results it was ascertained that Vestel Electronics was not in violation of any rules or regulations concerning environmental protection.

Vestel Electronics received OHSAS 18001 Occupational Health & Safety Assessment Series certification in 2008.

The presence of two EU labels on products is becoming steadily more important. One of these labels is the EU Energy label, which is mandatory on many electronic devices such as washing machine and refrigerators that are sold in the EU; the other is the EU Eco-label (Euroflower), a voluntary-compliance standard that sets out certain minimum environmental criteria for products and services.

As the EU accounts for the great majority of Vestel's sales, the Group keeps careful track of laws and regulations in effect in the EU market and in member states while also closely following national laws and regulations concerning the environment and human health. By undertaking its activities in line with EU-specified environmental criteria, Vestel is prepared in advance for any changes that may take place.

Vestel was the first company in Turkey to use lead-free solder in its manufacturing processes. As the only manufacturer in Turkey whose products are recognized as being in compliance with the EU's Restriction of Hazardous Substances (RoHS) Directive, Vestel plays a trailblazing role in the application of environment and health-related regulations in the country.

Commencing production of its environment-friendly Eko TV in 2009, Vestel makes every effort to ensure that all aspects of its business processes from raw material procurements to manufacturing and from distribution and sales to use and post-consumption recovery and recycling are as environment-friendly and in compliance with EU Ecolabel criteria as is possible.

Turning more and more of its attentions to products that use less energy, Vestel has introduced technologies that lower operating power requirements while reducing stand-by mode power consumption to nearly zero. Improvements in LCD panel technology have also achieved savings of 30-40% in energy use.

With energy-efficiency in TV receivers becoming an increasingly more important issue, the EU has begun encouraging compliance with Energy Star criteria in brown as well as white goods.

In its new generation Pixellence models, Vestel makes use of newly-developed LED technologies that need less energy to operate.

Priority is 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. Two technologies introduced in the last two years—"Ecowash" in dishwashers and "TwinJet" in washing machines—result in significant savings in water, time, and energy.

Waste management and use of hazardous materials

WEEE and ROHS compliance activities
While some chemicals used in the production of brown and white goods 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.

Vestel White Goods

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

Vestel White Goods was awarded ISO 9001-1994 Quality Management System certification in 2002 and ISO 9001-2000 Quality Management System certification in 2003. The Company also received OHSAS 18001 Occupational Health & Safety Management System certification from the Turkish Standards Institute in 2008 and completed ISO 14001 Environmental Management System certification requirements in 2009.

Vestel White Goods fulfills all the responsibilities incumbent upon it as a good corporate citizen on all issues related to minimizing the environmental impact of its activities and to delivering to market only products that are environmentally compatible.

Vestel conducts activities in accordance both with the Waste Electrical and Electronic Equipment directive (WEEE), which is concerned with collecting and recycling the electronic waste that accumulates as a result of the increasing use of electronic devices in our everyday lives, and with the Restriction of Hazardous Substances directive (RoHS), which restricts the use of six hazardous materials in the manufacture of various types of electronic and electrical equipment and which is recognized in all developed countries as well as in the EU.

All of Vestel White Goods' products have been manufactured in compliance with RoHS since June 2006.

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

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

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

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

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

A manufacturer that protects the ozone layer

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

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

More A+++ certified products

In addition to class A+ and class A products, work is now in progress at Vestel factories to introduce class A++ and A+++ products

With energy-efficiency in TV receivers becoming an increasingly more important issue, the EU has begun encouraging compliance with Energy Star criteria in brown as well as white goods.

Vestel Strives for Sustainability

to the market so as to ensure that natural resources and electricity are used as efficiently as possible.

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

30% reduction in energy and water consumption in four years

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

As a result of Vestel's environmental-awareness activities, 90% of its product line consists of A and A+ energy class products that use 25% less energy than do B class products.

An environment-friendly manufacturer at the packaging stage as well

Vestel uses environment-friendly "biol", which is made from paper, as its preferred packaging material instead of polystyrene foam. By means of its "smart package" and "smart crate" system, in which materials obtained from local suppliers in Manisa are fashioned at the factory, Vestel has reduced cardboard box use by 90%. Vestel adheres

to the principle of "reusability" in its plastic and cardboard separators. Attention is also given to making plastic components, cardboard elements, and instruction booklets from recycled/recyclable materials as much as possible.

100% of the scrap and discards resulting from the manufacturing of the plastic interiors of refrigerators are crushed and returned to production, thereby providing about 35% of the input materials that are used each time. In addition to eliminating the accumulation of plastic waste, this practice achieves raw material economies on the order of 35%.

UTS (United Technical Services), a Slovakia-based Vestel Group company, was set up to recycle electronic waste. Deploying methods which are mindful of the environment and nature and which make a positive contribution to the quality of life, this waste is processed so that as much of it as possible can be reused in the production of new electronics.

UTS's principal business activities consist of making use of recyclable materials of whatever kind in a manner consistent with human health, storing and retaining waste in accordance with applicable regulations, and ensuring that waste is destroyed by means of the right methods.

Vestel's social responsibility activities

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 (MZF) is a family foundation named after their father

and the Zorlu Group's founder, Mehmet Zorlu. The foundation was chartered on 25 April 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 directly organizing education-related competitions and projects;
- Supporting education-related social activities.

The Mehmet Zorlu Foundation has been actively involved the areas of interest mandated by its charter—education, culture, and sport—since 2002.

In line with this, the foundation:

- Provides outright scholarships to elementary school, high school and university students each year on the basis of success and need. As in previous years, the foundation provided such scholarships to students during the 2008-2009 academic year. Some of the universities with which the foundation collaborates

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

are Akdeniz, Anadolu, Ankara, Boğaziçi, Celal Bayar, Çukurova, Dicle, Dokuz Eylül, Ege, Gazi, Hacettepe, İstanbul, İstanbul Technical, Karadeniz Technical, Marmara, Mimar Sinan, Middle East Technical, Pamukkale, Trakya, Uludağ, and Yıldız Technical universities.

- 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 the foundation's Working Subcommittee based on the decisions of regularly conducted monthly meetings at which the various forms of education and health-related resources made available to the foundation are reviewed. An average of five people are provided with material support in this way every month.
- Besides providing scholarships in order to lighten the public burden of educating individuals who will be beneficial to their families, to their country, and to 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 the young people who are the future of our country will 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 (Avcılar-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).

To help relieve the need for schools in the region devastated by the Marmara earthquake, the foundation completed a 32-classroom primary school accommodating 800 pupils in Serdivan-Adapazarı. Named after Mehmet Zorlu, the school was turned over to the Ministry of National Education and instruction began there in September 2006.

- 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 a variety of theatrical performances and puppet shows, particularly for needy children.
- The foundation continued to provide material support and cash grants 2009 to a variety of recipients.

"Vestel Stands By Turkish Athletics" Social Responsibility Project

"Vestel Stands By Turkish Athletics" 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 Turkish society. These activities are aimed at strengthening and promoting athletics among all sections of society and at encouraging young Turkish people to take an interest in sport.

Within this overall framework, a number of activities have been carried out ranging from student athletics to contest sponsorships and from training seminars on athletics-related issues to the www.vestelatletizm.com website and the athletics statistics annual. In addition to these efforts, Vestel also provides sponsorship support for individual athletes and coaches.

Vestel's www.vestelatletizm.com website is a Turkish athletics reference portal containing the latest news, statistics, standings, and records as well as interesting information about athletes.

Vestel's contributions to the arts

At its Caddebostan Cultural Center in İstanbul, Vestel has been sponsoring "interactive mini-concerts" led by the musician and actor İlhan Şeşen, who gives live musical performances on stage involving a guest musician and not more than three musical instruments. Vestel provides material support for these events, whose aim is to host superior, interactive cultural activities by bringing audiences and Turkey's premier musical artists together at venues that are accessible to the general public.

To date, three of these events have been held and they reached an audience numbering about 400 people in all. These concerts give Vestel direct access to visitors through visual materials, product display stands, and announcements etc. Every visitor is also given a free USB memory. Vestel plans to continue this project and to organize more such concerts during the summer months.



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Statement of compliance with corporate governance principles

In parallel with the activities related to Corporate Governance commenced in 2004 at Vestel Electronics Inc., corporate governance mechanisms started to be operated in line with the principles across the organization. For the last four years, the Company has been obtaining rating from ISS Corporate Services Inc. (ISS), a leading international rating agency, in order to have the relevant practices examined independently and to ensure its public disclosure. On the basis of the monitoring carried out in the first months of 2010, ISS Corporate Services Inc. (ISS) reviewed our Company's Corporate Governance rating of 8.5 (83.38%) on a scale of 10 and the rating remained unchanged at 8.5 (84.02%). This high score earned yet again attests to the importance attached at the Vestel Group to corporate governance and to its commitment to achieve further progress in this department. Another positive development with respect to Corporate Governance was the 11th spot achieved by the Company in Accountability Rating 2008 for Turkey which analyzes only publicly available data of Turkey's top 50 companies on the basis of revenues. The survey was carried out for the second time in our country as a joint effort of AccountAbility, a UK-based think-tank, and the Corporate Social Responsibility Institute. The efforts undertaken with a view to further improving compliance with Corporate Governance Principles at Vestel Electronics Inc. in 2009 are summarized below.

- Investor Relations website has been further improved in line with the CMB Corporate Governance Principles.
- From 01 January 2009, a "Follow-up" process has been introduced in Internal Audit reports in order to monitor the risks that were shared with the Board of Directors. During the process that was also approved by the Audit Committee, process owners were expected to follow-up the risks indicated on the basis of the 4T approach; i.e. "Terminate", "Tolerate", "Treat", and "Transfer", using one or more of these elements in combination. Risk management approaches adopted and implemented accordingly have been regularly shared with the Board of Directors at appropriate intervals using follow-up reports.

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

These activities on the part of Vestel show 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.

PART 1- SHAREHOLDERS

1.1. 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.

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- The officer in charge of the Corporate Finance and Investor Relations Unit is Figen Çevik.
- Corporate Finance and Investor Relations Unit can be contacted on a continuous basis through the corporate website and by its direct telephone on (0212) 422 01 07.
- The principal activities carried out by the Corporate Finance and Investor Relations Unit in 2009 were the following:
 - a) Nearly 30 one-on-one meetings were held with investors and analysts.
 - b) During the reporting period about 90 questions were responded to by e-mail and about 120 by telephone.
 - c) 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.

1.2. Shareholders' exercise of their right to obtain information

- Vestel Corporate Finance and Investor Relations Unit responded in detail to information requests received in 2009 within the frame of the disclosure policy. 70% of the requests for information were concerned with the Company's operational and financial performance, 10% with share price, and the remaining 20% with investments, 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 2009 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. No need was felt to make a dedicated arrangement since this right is intended for minority shareholders owning 5% of the capital in publicly-held joint stock corporations pursuant to Article 11 of the Capital Market Law. The Company received no requests for the appointment of a special auditor in the reporting period.

1.3. INFORMATION ON GENERAL MEETINGS

- Vestel Electronics held its ordinary general meeting for 2008 at 09:30 AM on 27 May 2009 at the address of Zorlu Plaza, Avcılar-İstanbul.
- The invitation for the meeting including the meeting date and agenda has been made within due time as set out in the law and the Company's articles of incorporation by being published in the Turkish Trade Registry Gazette issue 7303 dated 04 May 2009 and in the Milliyet newspaper and Dünya newspaper, both dated 04 May 2009, and also posted on the Company website. To facilitate attendance to the general meeting, announcements were published in the two newspapers with highest circulation in Turkey. In addition, all relevant information regarding the general meeting including the announcement was posted on the corporate website.
- Only shareholders attended the meeting. There was no other stakeholder or media presence.
- Out of 33,545,627,500 shares corresponding to the Company's total capitalization of TL 335,456,275.00; 25,463,620,551 shares representing TL 254,636,205.51 in capital were present in person at the meeting. The General Meeting convened with an attendance ratio of 76%.
- 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 the Holding's headquarter 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.
- 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.

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- The minutes of the general meeting were made available for the examination of shareholders at the Company's headquarters. As a result of changes made in the corporate website, all announcements, documents, and other materials related to general meetings are accessible to shareholders and to all other stakeholders.

1.4. 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.

1.5. 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.
- Pursuant to article 8 of the Company's General Meeting agenda, the proposal for distribution of 2008 profits has been explained to the participants, which was approved by majority of votes against abstentions at the general meeting.
- No dividends have been distributed since the Company posted loss on its 2008 operations.
- 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 distributable 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. At the general meeting for 2008 held on 27 May 2009, the shareholders were informed that adherence to the said policy will be continued.

1.6. 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

2.1. 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. The said policy was revised and approved by the Board of Directors during 2008. Revised Disclosure Policy was presented for the information of shareholders and participants at the 2007 Ordinary General Meeting held on 28 May 2008. The disclosure policy has also been publicly disclosed on the corporate website.
- The issues addressed by the Company's public disclosure policy are summarized below:
 - The clarity, timeliness, and truthfulness of public announcements.
 - What information may be publicly disclosed.
 - The frequency and the ways in which information may be publicly disclosed.
 - Relations of the Company's Board members and managers with the media.
 - The effectiveness with which investors, shareholders, and other stakeholders are kept actively informed.

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- 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.

2.2. Disclosure of material events

- A total of 20 material event disclosures were made in 2009. Additional information was requested by the ISE concerning only two disclosures, which were provided immediately.
- 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.

2.3. The corporate website and its content

- Vestel Electronics' corporate website was continued to be improved in 2008 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.

2.4. Disclosure of the Company's ultimate controlling shareholders

- The shareholder structure of the Company is as follows:

Shareholders	% shareholding interest	Nominal value (TL)
Collar Holding B.V.	74.69	250,566,143
Publicly held	25.31	84,890,132
Total	100.00	335,456,275

- Collar Holding BV, the principal shareholder in the Company, is wholly owned by Ahmet Nazif Zorlu.

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

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

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PART III: STAKEHOLDERS

3.1. 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.

3.2. 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.

3.3. 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.

3.4. 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.

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- 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.

3.5. 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 Electronics 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 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.

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PART IV: THE BOARD OF DIRECTORS

4.1. 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	65	1 year	Non-executive	Primary School	
Ekrem Pakdemirli	Vice Chairman	70	1 year	Independent	University	- Member of the Parliament - Deputy Prime Minister - Faculty member of Bilkent, Başkent and Ege Universities - Deputy Rector with Dokuz Eylül University
Mehmet Emre Zorlu	Board Member	25	1 year	Non-executive	University	Served successively in various in Zorlu Group companies
Ömer Yüngül	Board Member	54	1 year	Executive	University	Vestel White Goods (General Manager)
Enis Turan Erdoğan	Board Member	54	1 year	Executive	University	Ekinciler Holding
Recep Yılmaz Argüden	Board Member	51	1 year	Independent	University	- Chief Consultant to the Prime Minister - Chairman of Erdemir
Olgun Zorlu	Board Member	44	1 year	Non-executive	University	Served successively in various Zorlu Group companies

- 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 Recep 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.

4.2. 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.

4.3. 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

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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.

4.4. 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.

4.5. 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.

4.6. 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.
- Article 16 of the Company's articles of incorporation sets out that board meetings will be held as and when deemed necessary, and at least once a month. The board met a total of 40 times during the reporting period. The overall rate of attendance at these meetings was 84%.
- 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 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.

4.7. 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 2009.
- 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.

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4.8. 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.

4.9. 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 Mehmet Emre Zorlu, 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.
- Recep 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 Olgun 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 2009 are presented below:
 - a) Establishing corporate governance principles across the Company,
 - b) Offering recommendations pertaining to the structure and effectiveness of the Board of Directors,
 - c) Evaluation of the structures and operation of the Committees and making recommendations about the same,
 - d) Structuring the Investor Relations Unit and coordinating its activities.

4.10. 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 TL 60,000 as of June 2009, commensurate with the practices of the peer companies in the sector. Statutory Auditors are paid an annual fee of TL 2,640.
- The Company has not extended any loans or credits to any Board member or executive.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi Profit Distribution Policy and Proposal

Profit Distribution Policy

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 be proposed by the Board of Directors at the ordinary general meeting of shareholders that is held every year on the basis of national and international economic conditions and the Company's growth plans.

Profit Distribution Proposal for the 01 January 2009-31 December 2009 Fiscal Year

Vestel Electronics Inc. Board of Directors met at the Company headquarters on 26 April 2010 under the chair of Mr. Ahmet Nazif Zorlu. As a result of the meeting and discussions, it has been unanimously resolved as follows by the votes of the board members present:

Although the financial statements drawn up in accordance with the Capital Market Law and the related Communiqué Serial: XI No: 29 on Financial Reporting Principles in the Capital Market, and the Tax Procedural Law show profit, it will be proposed not to distribute any profits at the general meeting since the financial statements show prior year losses as a result of the inflation adjustment made as at 31 December 2003 in accordance with the Communiqué Serial: XI No: 21 and there remains no distributable profit after deduction of 2009 profits from this loss.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi Statutory Auditor’s Report Summary

TO THE GENERAL ASSEMBLY OF VESTEL ELEKTRONİK SAN. VE TİC. A.Ş.

Title of Association	Vestel Elektronik Sanayi ve Ticaret A.Ş.
Center	Zorlu Plaza, Avcılar – İstanbul
Capital	TL 335,456,275
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	4-12
Content of audit, audit dates and result	In the audits made on the legal books and documents of the Company, it has been concluded that records are kept fairly and accurately in compliance with accounting rules and principles.
Number and results of counting’s which has been performed on association’s cashier desk in accordance with Turkish Trade Law’s 353rd article’s 1st anecdote’s 3rd definition	Cashier’s desk counting was made four times and it was resolved that stocks are in compliance with the records.
Audit dates and results that has been performed in accordance with Turkish Trade Law’s 353rd article’s 1st anecdote’s 4th definition	There are no securities delivered by mortgage or guarantee or bailment to the 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 Sanayi ve Ticaret A.Ş. at the period of 01.01.2009-31.12.2009 in accordance with Turkish Trade Law, association’s primary agreement, other regulations and general accounting principles.

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



Şerif ARI
Auditor



Ahmet G. HIZARCI
Auditor

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi Resolution of the Board of Directors

RESOLUTION DATE : 10.05.2010

RESOLUTION NO : 2010/16

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

MEETING AGENDA : approval of the 2009 annual report

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

The Board of Directors who convened for the meeting decided unanimously to accept the 2009 Annual Report, which has been presented to the Board of Directors and is attached hereto, and to make the report available to shareholders.

BOARD OF DIRECTORS



Ahmet Nazif ZORLU
Chairman



Ekrem PAKDEMİRLİ
Vice Chairman



Olgun ZORLU
Board Member



Ömer YÜNGÜL
Board Member



Enis Turan ERDOĞAN
Board Member



Recep Yılmaz ARGÜDEN
Board Member



Mehmet Emre ZORLU
Board Member

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi
Independent Auditor’s Report

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

We have audited the accompanying statement of consolidated financial position of Vestel Elektronik Sanayi ve Ticaret A.Ş. and its subsidiaries listed under note 1 (the “Group”) as at 31 December 2009, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management’s responsibility for the financial statements

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

Auditor’s responsibility

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

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi Independent Auditor's Report

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

Conclusion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2009, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

EREN Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.
Member Firm of GRANT THORNTON International



Aykut Halit
Partner

Istanbul, 06.04.2010

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

Statements of Consolidated Financial Position at 31 December 2009 and 2008

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

Assets	Note	2009	2008
Current assets			
Cash and cash equivalents	6	310.966	343.148
Financial assets held for trading	10	14.041	–
Trade receivables	7	1.210.197	1.148.066
Inventories	8	832.490	786.513
Other assets	9	139.353	195.406
Total current assets		2.507.047	2.473.133
Non-current assets			
Trade receivables		4.932	1.349
Financial assets available-for-sale	10	3.645	794
Property, plant and equipment	11	909.485	1.016.997
Intangible assets	12	342.520	349.872
Other assets		21.237	23.790
Deferred tax asset	17	62.578	65.818
Total non-current assets		1.344.397	1.458.620
Total assets		3.851.444	3.931.753

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

Statements of Consolidated Financial Position at 31 December 2009 and 2008

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

Liabilities and equity	Note	2009	2008
Current liabilities			
Borrowings	13	344.143	306.894
Trade payables	14	1.691.003	1.995.187
Taxation on income	17	10.687	587
Provision for expenses	15	99.042	99.753
Other liabilities	16	79.329	108.626
Total current liabilities		2.224.204	2.511.047
Non-current liabilities			
Borrowings	13	372.963	406.900
Trade payables		–	1.351
Employee termination benefits	18	19.436	17.883
Provision for expenses	15	12.667	12.617
Other liabilities		4.085	63
Deferred tax liability	17	46.613	62.409
Total non-current liabilities		455.764	501.223
Equity			
Equity attributable to owners of the parent:			
Share capital	19	753.218	593.218
Translation reserve		13.201	17.695
General reserves	20	240.724	172.196
Total equity attributable to owners of the parent		1.007.143	783.109
Minority interest		164.333	136.374
Total equity		1.171.476	919.483
Commitments and contingencies	21		
Total liabilities and equity		3.851.444	3.931.753

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

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

	Note	2009	2008
Continuing operations			
Revenue	5	4.644.911	4.693.941
Cost of sales	5	(3.761.901)	(3.795.280)
Gross profit		883.010	898.661
Warranty expenses		(47.769)	(48.640)
Research expenses		(52.568)	(31.442)
Selling expenses		(327.064)	(427.807)
General and administrative expenses		(117.979)	(187.941)
Other income	23	55.041	65.896
Other expense	23	(22.251)	(28.766)
Operating profit		370.420	239.961
Financing income	24	530.866	1.004.134
Financing expense	24	(779.553)	(1.651.306)
Profit/(loss) before taxation		121.733	(407.211)
Taxation on income	17	(24.348)	4.499
Net profit (loss) for the year		97.385	(402.712)
Attributable to:			
Equity holders of the Company		72.067	(411.509)
Minority interest		25.318	8.797
Net profit (loss) for the year		97.385	(402.712)
Basic and fully diluted earnings (loss) per share (TL, full)		0,00	(0,02)

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi
Statements of Consolidated Comprehensive Income for the Years Ended 31.12.2009 and 2008

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

	Note	2009	2008
Profit (loss) for the year		97.385	(402.712)
Available-for-sale financial assets		2.051	(919)
Translation difference		(4.480)	(6.668)
Other comprehensive expense		(2.429)	(7.587)
Total comprehensive income (expense) for the year		94.956	(410.299)
Net profit (loss) attributable to:			
Equity holders of the Company		69.624	(418.457)
Minority interest		25.332	8.158
		94.956	(410.299)

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

Statements of Consolidated Changes in Equity for the Years Ended 31.12.2009 and 2008

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

	Share capital	Translation reserve	General reserves	Total attributable to owners of parent	Minority interest	Total equity
Balance at 01.01.2008	576.862	23.724	600.980	1.201.566	142.788	1.344.354
Share capital increase	16.356	–	(16.356)	–	–	–
Change in minority interest	–	–	–	–	(477)	(477)
Dividends paid	–	–	–	–	(14.095)	(14.095)
Transactions with owners	16.356	–	(16.356)	–	(14.572)	(14.572)
Net income for the year	–	–	(411.509)	(411.509)	8.797	(402.712)
Other comprehensive income:						
Translation differences	–	(6.029)	–	(6.029)	(639)	(6.668)
Change in fair value of financial investments	–	–	(919)	(919)	–	(919)
Total comprehensive income for the year	–	(6.029)	(919)	(6.948)	(639)	(7.587)
Balance at 31.12.2008	593.218	17.695	172.196	783.109	136.374	919.483
Cash increase in share capital						
Cash increase in share capital	160.000	–	–	160.000	–	160.000
Acquisition of subsidiary	–	–	–	–	(1.415)	(1.415)
Disposal of subsidiaries	–	–	–	–	39	39
Changes in minority interest	–	–	(5.590)	(5.590)	5.590	–
Dividends paid	–	–	–	–	(1.587)	(1.587)
Transactions with owners	160.000	–	(5.590)	154.410	2.627	157.037
Net income for the year	–	–	72.067	72.067	25.318	97.385
Other comprehensive income:						
Translation differences	–	(4.494)	–	(4.494)	14	(4.480)
Change in fair value of financial investments	–	–	2.051	2.051	–	2.051
Total comprehensive income for the year	–	(4.494)	2.051	(2.443)	14	(2.429)
Balance at 31.12.2009	753.218	13.201	240.724	1.007.143	164.333	1.171.476

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

Statements of Consolidated Cash Flows for the Years Ended 31.12.2009 and 2008

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

	Note	2009	2008
Profit (loss) before taxation		121.733	(407.211)
Adjustment to reconcile profit (loss) before taxation to net cash provided from operating activities:	25	296.051	312.756
Operating profit (loss) before changes in working capital		417.784	(94.455)
Changes in operating assets and liabilities	25	(400.343)	188.029
Taxes paid		(31.334)	(21.137)
Net cash provided by (used in) operating activities		(13.893)	72.437
Cash flows from investing activities			
Purchases of financial assets available-for-sale		(14.841)	–
Purchases of property, plant and equipment		(73.613)	(120.304)
Purchases of intangible assets		(47.972)	(80.903)
Proceeds from sale of property, plant and equipment		6.887	12.138
Net cash used in investing activities		(129.539)	(189.069)
Cash flows from financing activities			
Cash increase in share capital		160.000	–
Proceeds from borrowings		761.163	539.686
Repayment of borrowings		(768.009)	(496.935)
Interest received		42.498	37.799
Interest paid		(82.758)	(68.218)
Dividends paid		(1.587)	(14.095)
Net cash provided by (used in) financing activities		111.307	(1.763)
Translation differences		(202)	(50.784)
Net decrease in cash and cash equivalents		(32.327)	(169.179)
Cash and cash equivalents at beginning of year		342.951	512.130
Cash and cash equivalents at end of year		310.624	342.951

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi
Notes to Consolidated Financial Statements for Year Ended 31 December 2009

(All amounts in thousands of Turkish Lira ("TL") 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 that 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 under 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 colour televisions. The Company's production facilities are located in Manisa industrial site (Aegean Region, Turkey). As of the balance sheet date, production capacity for colour televisions was 12.000.000 (2008: 14.000.000) 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 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 3.700.000, 600.000, 2.700.000, 1.250.000 and 500.000 (2008: 3.700.000, 600.000, 2.700.000, 1.250.000 and 500.000) 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 electronic devices. Vestel Kom's production facilities are primarily located in İzmir Aegean free zone industrial site.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

Notes to Consolidated Financial Statements for Year Ended 31 December 2009

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

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

Vestel Dijital is engaged in the production of electronic 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 4.000.000 (2008: 11.260.000) units per year.

Vestel Elektronik has always exercised effective control over the management of each of the companies included in the group consolidation.

Consolidated company	Location	2009		2008	
		Ownership interest	Economic interest	Ownership interest	Economic interest
Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.	Turkey	72,6	72,6	72,6	72,6
Vestel Komünikasyon Sanayi ve Ticaret A.Ş.	Turkey	99,4	99,3	99,4	99,3
Vestel Dış Ticaret A.Ş.	Turkey	99,7	99,7	99,7	99,7
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	Turkey	100,0	100,0	100,0	100,0
Vestel CIS Ltd.	Russia	100,0	100,0	100,0	100,0
Deksar Multimedya ve Telekomünikasyon A.Ş.	Turkey	99,9	99,9	99,9	99,9
Vestel Savunma Sanayi A.Ş.	Turkey	30,0	29,9	30,0	29,9
Aydın Yazılım Elektronik ve Sanayi A.Ş.	Turkey	60,0	18,0	60,0	18,0
Vestel Iberia SL	Spain	100,0	99,7	100,0	99,7
Vestel France SA	France	99,9	99,6	99,9	99,5
Vestel Italy SRL	Italy	–	–	100,0	99,7
Vestel Holland BV	Holland	100,0	99,7	100,0	99,7
Vestel Germany GmbH	Germany	100,0	99,7	100,0	99,7
Cabot Communications Ltd.	UK	90,8	90,8	90,8	90,9
Vestel Benelux BV	Holland	100,0	99,7	51,0	50,8
Vestel UK Ltd.	UK	100,0	99,7	100,0	99,7
Cabot İzmir Donanım Sanayi ve Ticaret A.Ş.	Turkey	100,0	94,7	58,0	52,7
Vestel Dijital Üretim Sanayi A.Ş.	Turkey	99,8	99,3	99,8	99,3
Electronics Outlet SRL	Italy	–	–	100,0	99,7
Vestek Elektronik Araştırma Geliştirme A.Ş.	Turkey	94,0	94,0	94,0	94,0
Vestel Trade Ltd.	Russia	100,0	100,0	100,0	100,0
Birim Bilgi Teknolojileri Ticaret A.Ş.	Turkey	45,0	45,0	45,0	45,0
OY Vestel Scandinavia AB	Finland	100,0	99,7	100,0	99,7
Deksarnet Telekomünikasyon A.Ş.	Turkey	99,9	99,9	99,9	99,9
Intertechnika LLC	Russia	99,9	99,9	99,9	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.

The consolidated financial statements for the year ended 31 December 2009 (including comparatives) were approved by the board of directors on 06.04.2010.

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").

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

Notes to Consolidated Financial Statements for Year Ended 31 December 2009

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

The Company, which is quoted at 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 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 Turkish Lira (TL) by closing rate method. The consolidated financial statements have been prepared from statutory financial statements of the Company and its subsidiaries and presented in Turkish Lira (TL) 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.

2.1 Measurement currency and reporting currency

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

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

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

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

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

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

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

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

2.3 Comparable financial information and reclassification of prior period financial statements

The balance sheets with the accompanying notes as of 31.12.2009 and 31.12.2008 and statement of income, cash flow and changes in equity with the accompanying notes for the year ended 31.12.2009 and 31.12.2008 are presented as comparatively.

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

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi Notes to Consolidated Financial Statements for Year Ended 31 December 2009

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

2.4 Critical accounting estimates, assumptions and judgments

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

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

- Allowance for doubtful debts reflect the amount set aside for the losses in the future related to receivables which exist the balance sheet date but which, in the opinion of the management carry the risk of collection due to current economic conditions. When evaluating whether receivables has suffered a loss in value the past performance of the debtors, their credibility in the market and their performance between the balance sheet date and report date together with changed circumstances are taken in the considerations. In addition the collaterals existing as balance sheet date together with new collaterals obtained between the balance date and report date are also taken into consideration. The allowance for doubtful receivables as of the balance sheet dates are explained under note 7.
- When setting aside the provision for legal claims the probability of losing the related case and the results to expect to be suffered in the event that the legal counsel of the Group and management of the Group make their best estimates to calculate the provision required under note 21.
- As for the diminution in value of stocks, all stocks are subjected to review and their usage possibility ascertained on basis of the opinion of the technical personnel; provisions are set aside for items expected not to have usage possibility. Calculation of net realizable values of stocks is based on selling prices as disclosed by selling price lists after deduction for average discounts given during the year and selling expenses to be incurred for the realization of stocks. If the net realizable value of any stock falls under its cost price appropriate provisions are therefore set aside.
- In accordance with the accounting policy outlined under note 3 goodwill is reviewed every year for impairment; if circumstances call for it this review for impairment is made at more frequent intervals. The recoverable value of cash generating units is ascertained on basis of their value in use.
- Property, plant and equipment and intangible assets held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The Group estimates that the useful lives of tangible and intangible assets. Depreciation is charged using the straight line basis over the useful lives which depend on the best estimation of the management. Useful lives of property, plant and equipment and intangible assets are reviewed at each balance sheet dates and make changes if necessary.
- Deferred tax assets are accounted for only where it is likely that related temporary differences and accumulated losses will be recovered through expected future profits. When accounting for deferred tax losses it is necessary to make important estimations and evaluations with regard to taxable profits in the future periods. As mentioned under note 17 the related companies of the Group included in the consolidated statements have taxable losses of TL 111.195 (2008 – TL 139.720) carried forward to future periods and deferred tax assets have been calculated on basis of the expectation that taxable profits will be created in future periods.

2.5 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.

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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.

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 TL 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:

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

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

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market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

	Useful life
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. and Vestel Beyaz Eşya Sanayi ve 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 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 3 - 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.

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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.

Financial assets

Financial assets other than hedging instruments are divided into the following categories:

- available-for-sale financial assets
- held-for-trading investments.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenses is recognised in profit or loss or directly in equity.

Generally, the Group recognises all financial assets using settlement day accounting. An assessment of whether a financial asset is impaired is made at least at each reporting date. All income and expense relating to financial assets are recognised in the income statement line item "finance costs" or "finance income", respectively.

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets. The Group's available-for-sale financial assets include unconsolidated investments and a listed security.

The fair value of listed security, Zorlu Enerji Elektrik Üretim A.Ş., is based on current bid prices at the balance sheet date. Unconsolidated investments which are not quoted at any stock exchange are reported at cost less any impairment charges, as its fair value can currently not be reliably estimated.

Gains and losses arising from financial instruments classified as available-for-sale are only recognised in profit or loss when they are sold or when the investment is impaired. In the case of impairment, any loss previously recognised in equity is transferred to the income statement. Losses recognised in the income statement on equity instruments are not reversed through the income statement but charged to equity. Losses recognised in prior period consolidated income statements resulting from the impairment of debt securities are reversed through the income statement; if the subsequent increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

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

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

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs comprise direct materials and, where applicable, direct labour 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.

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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 26).

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.

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.

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.

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.

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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.

Employee termination benefits

Under Turkish labour 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.

Provisions

Warranty provision– 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

	2009	2008
Net profit attributable to shareholders	72.067	(411.509)
Weighted average number of ordinary shares in issue('000)	28.636.038	17.545.628
Basic and diluted earnings per share – (TL, full)	0,00	(0,02)

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5. 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)

The segment results for the year ended 31.12.2009 are as follows:

	Television and electronic devices	White goods	Other	Total
Revenue	3.047.779	1.481.205	115.927	4.644.911
Cost of sales	(2.468.925)	(1.187.266)	(105.710)	(3.761.901)
Gross profit	578.854	293.939	10.217	883.010

Other segment items included in the income statement:

Depreciation	96.630	57.422	13.592	167.644
Amortisation	31.364	8.213	11.738	51.315
	127.994	65.635	25.330	218.959

The segment results for the year ended 31.12.2008 are as follows:

Revenue	3.022.033	1.555.423	116.485	4.693.941
Cost of sales	(2.442.747)	(1.239.501)	(113.032)	(3.795.280)
Gross profit	579.286	315.922	3.453	898.661

Other segment items included in the income statement:

Depreciation	92.184	54.808	11.035	158.027
Amortisation	16.241	6.792	7.011	30.044
	108.425	61.600	18.046	188.071

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The segment assets and liabilities as of the balance sheet dates and capital expenditure for the year then ended are as follows:

	Television and electronic devices	White goods	Other	Total
2009				
Trade receivables	928.161	244.762	42.206	1.215.129
Financial assets held for trading	–	14.041	–	14.041
Inventories	509.506	318.559	4.425	832.490
Property, plant and equipment	451.813	449.130	8.542	909.485
Intangible assets, net	140.832	179.273	22.415	342.520
Unallocated assets				537.779
Total assets				3.851.444
Trade payables	1.371.417	312.840	6.746	1.691.003
Unallocated liabilities				988.965
Total liabilities				2.679.968
Capital expenditure	74.776	28.019	18.790	121.585
2008				
Trade receivables	910.342	203.857	35.216	1.149.415
Inventories	435.464	345.881	5.168	786.513
Property, plant and equipment	495.053	512.189	9.755	1.016.997
Intangible assets	153.499	179.823	16.550	349.872
Unallocated assets				628.956
Total assets				3.931.753
Trade payables	1.498.926	363.554	134.058	1.996.538
Unallocated liabilities				1.015.732
Total liabilities				3.012.270
Capital expenditure	104.861	55.622	40.724	201.207

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

	2009		2008	
	Assets	Liabilities	Assets	Liabilities
Cash and cash equivalents	310.966	–	343.148	–
Deferred tax	62.578	46.613	65.818	62.409
Other assets	160.590	–	219.196	–
Financial assets available-for-sale	3.645	–	794	–
Current tax	–	10.687	–	587
Current borrowings	–	344.143	–	306.894
Non-current borrowings	–	372.963	–	406.900
Employee termination benefits	–	19.436	–	17.883
Provisions	–	111.709	–	112.370
Other liabilities	–	83.414	–	108.689
	537.779	988.965	628.956	1.015.732

Geographical segments:

Segment assets	2009	2008
Turkey	2.731.227	2.601.381
Europe	874.658	981.371
Russia	245.559	349.001
	3.851.444	3.931.753

Revenue

Turkey	1.056.590	1.154.485
Europe	3.142.781	3.153.745
Rest of the world	445.540	385.711
	4.644.911	4.693.941

Capital expenditure on property plant and equipment and intangible assets

Turkey	115.944	189.405
Europe	2.494	2.457
Asia	3.147	9.345
	121.585	201.207

Depreciation and amortisation charge

Turkey	206.955	176.252
Europe	2.662	2.328
Asia	9.342	9.491
	218.959	188.071

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6. CASH AND CASH EQUIVALENTS

	2009	2008
Cash at banks and in hand	155.791	158.403
Time deposit accounts	151.617	181.843
Other	3.558	2.902
Cash and cash equivalents	310.966	343.148
Bank overdrafts (-)	(342)	(197)
Cash and cash equivalents presented in cash flow statement	310.624	342.951

As of 31.12.2009, time deposit accounts mature in January 2010 (2008: January 2009).

7. TRADE RECEIVABLES

Current

Current accounts		
- Third parties	1.119.637	849.838
- Related parties, note 26	11.050	13.931
Notes receivable		
- Third parties	107.424	333.937
Others	23.530	274
	1.261.641	1.197.980
Unearned interest on receivables (-)	(7.151)	(20.738)
Allowance for doubtful receivables (-)	(44.293)	(29.176)
	1.210.197	1.148.066

Movement of doubtful receivables is given below:

Beginning balance	29.176	20.668
Charge for the year	24.610	9.653
Amounts utilized during the year	(9.414)	(1.548)
Translation differences	(79)	403
Ending balance	44.293	29.176

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8. INVENTORIES

	2009	2008
Raw materials	395.668	391.062
Work in process	29.617	35.363
Finished goods	401.379	345.634
Merchandise	26.413	40.124
Other	13.926	13.264
	867.003	825.447
Provision for diminution in value (-)		
Raw materials	(15.912)	(18.007)
Finished goods and merchandise	(18.601)	(20.927)
	832.490	786.513
Movement of allowance for diminution in value of inventories is as follows:		
Beginning balance	38.934	20.294
Charge for the year	3.285	19.220
Disposal of impaired stocks during the year	(7.696)	(919)
Translation differences	(10)	339
Ending balance	34.513	38.934

The cost of inventories recognized as expense and included in cost of sales during the year amounted to TL 3.136.863 (2008: TL 2.897.741).

9. OTHER ASSETS

Current		
Prepaid expenses	13.427	16.965
VAT receivable	68.762	80.949
Work advances	945	1.156
Due from related parties, note 26	5.063	3.058
Project expenses	22.709	48.133
Fair value of forward contracts	6.044	9.965
Prepaid taxes	3.980	8.177
Other	18.423	27.003
	139.353	195.406

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10. FINANCIAL ASSETS

		2009		2008	
Financial assets held-for-trading		14.041		–	
Financial assets available-for-sale					
Unconsolidated investments		35		35	
Other investments		3.610		759	
		3.645		794	
		17.686		794	

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 Electronica SRL, Vestel India and Uts-United Technical Services, S.R.O are newly established companies. As of balance sheet dates, the above noted companies in which the Company has a controlling interest or significant influence are not consolidated as they are immaterial individually and in aggregate to the results and financial position of the Group.

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11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Cost						
Balance at 01.01.2008	285.938	1.451.051	6.123	139.363	32.644	1.915.119
Additions	7.345	51.921	1.250	24.105	35.683	120.304
Disposals	(1.252)	(17.459)	(2.759)	(3.881)	–	(25.351)
Translation differences	17.333	17.298	671	2.399	5.253	42.954
Transfers	13.896	29.561	1.290	1.979	(47.330)	(604)
Balance at 31.12.2008	323.260	1.532.372	6.575	163.965	26.250	2.052.422
Additions	5.279	34.263	239	8.015	25.817	73.613
Disposals	(48)	(105.298)	(1.504)	(2.794)	–	(109.644)
Translation differences	(1.645)	(1.626)	(3)	(750)	(136)	(4.160)
Transfers	52	45.443	–	(1.453)	(44.113)	(71)
Balance at 31.12.2009	326.898	1.505.154	5.307	166.983	7.818	2.012.160
Accumulated depreciation						
Balance at 01.01.2008	39.720	767.421	3.131	81.568	–	891.840
Additions	9.106	130.824	1.132	16.965	–	158.027
Disposals	(50)	(15.061)	(805)	(1.915)	–	(17.831)
Translation differences	582	1.987	249	571	–	3.389
Balance at 31.12.2008	49.358	885.171	3.707	97.189	–	1.035.425
Additions	11.264	137.620	543	18.217	–	167.644
Disposals	(1)	(97.105)	(906)	(1.973)	–	(99.985)
Translation differences	(142)	(275)	2	6	–	(409)
Balance at 31.12.2009	60.479	925.411	3.346	113.439	–	1.102.675
Net book value as of						
31.12.2008	273.902	647.201	2.868	66.776	26.250	1.016.997
31.12.2009	266.419	579.743	1.961	53.544	7.818	909.485

Leased assets included in the table above comprise plant and machinery amounting to TL 14.769 (2008: TL 21.394) 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.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi

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

12. INTANGIBLE ASSETS

	Goodwill	Development cost	Other intangible assets	Total
Cost				
Balance at 01.01.2008	202.866	75.546	180.311	458.723
Additions	–	58.566	22.337	80.903
Disposals	(3.470)	–	(1.670)	(5.140)
Translation differences	292	365	839	1.496
Transfers	–	–	604	604
Balance at 31.12.2008	199.688	134.477	202.421	536.586
Additions	–	39.732	8.240	47.972
Disposals	–	(3.564)	(3.124)	(6.688)
Translation differences	44	23	34	101
Transfers	–	–	71	71
Balance at 31.12.2009	199.732	170.668	207.642	578.042
Accumulated amortisation				
Balance at 01.01.2008	13.992	15.388	127.499	156.879
Additions	–	16.900	13.144	30.044
Disposals	–	–	(519)	(519)
Translation differences	–	–	310	310
Balance at 31.12.2008	13.992	32.288	140.434	186.714
Additions	–	34.953	16.362	51.315
Disposals	–	(936)	(1.649)	(2.585)
Translation differences	21	4	53	78
Balance at 31.12.2009	14.013	66.309	155.200	235.522
Net book value as of				
31.12.2008	185.696	102.189	61.987	349.872
31.12.2009	185.719	104.359	52.442	342.520

In mid 2001, the Group 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. 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 trademarks.

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13. BORROWINGS

	Current		Non-current	
	Foreign currency	TL equivalent	Foreign currency	TL equivalent
2009				
Turkish Lira bank loans		39.318		–
Foreign currency bank loans				
-USD ('000)	127.978	192.696	218.647	329.217
-EUR ('000)	51.410	111.061	19.883	42.953
Finance lease liabilities, net				
-USD ('000)	430	648	348	523
-EUR ('000)	–	–	–	–
-TL		420	–	270
		344.143		372.963
2008				
Turkish Lira bank loans		1.967		–
Foreign currency bank loans				
-USD ('000)	106.834	161.565	220.467	333.413
-EUR ('000)	66.535	142.439	33.608	71.949
Finance lease liabilities, net				
-USD ('000)	396	599	777	1.175
-EUR ('000)	43	93	–	–
-TL		231	–	363
		306.894		406.900

Summary maturity schedule of total borrowings is given below:

	2009	2008
Due in one year	344.143	306.894
One to two years	57.064	62.657
Two to three years	302.402	31.257
Three to four years	5.359	299.288
Four to five years	4.792	5.111
Over five years	3.346	8.587
	717.106	713.794

Letters of guarantee and notes amounting to TL 67.263 (EUR 12.700 thousand, USD 20.700 thousand and TL 8.660) have been given as collateral for Turkish Eximbank and other credits (2008: TL 32.893 (EUR 15.365 thousand)).

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Payment schedule of finance lease liabilities is given below:

	2009	2008
Finance lease liabilities - minimum lease payments:		
Payable with in one year	1.271	937
Payable later than one year and not later than four years	852	1.969
	2.123	2.906
Future finance charges on finance leases	(262)	(445)
Present value of finance lease liabilities	1.861	2.461

The present value of finance lease liabilities is as follows:

Payable with in one year	1.068	923
Payable later than one year and not later than four years	793	1.538
	1.861	2.461

14. TRADE PAYABLES

Current

Current accounts		
- Third parties	1.041.900	1.391.508
- Related parties, note 26	5.087	5.120
- Letters of credit	380.251	284.924
- Letters of credit discounted	248.263	311.651
Notes payable		
- Third parties	18.433	5.639
Other	103	116
	1.694.037	1.998.958
Unearned interest on payables (-)	(3.034)	(3.771)
	1.691.003	1.995.187

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15. PROVISION FOR EXPENSES

	2009	2008
Current		
Warranty provision	65.484	56.018
Provision for forward exchange contracts	13.865	–
Expense accruals	19.693	43.735
	99.042	99.753
Non-current		
Warranty provision	12.667	12.617

Movement of provisions is as follows:

	Warranty expense	Provision for forward exchange contracts	Expense accruals	Total
Opening balance	68.635	–	43.735	112.370
Additions	57.285	13.865	19.693	90.843
Disposals	(47.769)	–	(43.735)	(91.504)
Closing balance	78.151	13.865	19.693	111.709

16. OTHER LIABILITIES

Income tax and social security payables	19.596	23.867
Advances received	23.259	21.065
Deferred project income	16.076	47.400
Due to personnel	6.917	7.835
Other	13.481	8.459
	79.329	108.626

17. TAXATION ON INCOME

	2009	2008
Current	(37.454)	(10.082)
Deferred	13.106	14.581
Taxation on income	(24.348)	4.499

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

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

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

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

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

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	31,5
France	33,3
The Netherlands	25,5
UK	28,0
Spain	30,0
Italy	37,3
Russia	20,0

As the balance sheet date, taxation on income for the year is reconciled to the profit per income statements as follows:

	2009	2008
Profit (loss) before tax	121.733	(407.211)
Corporation tax using applicable tax rates	(37.454)	10.082
Disallowable expenses	108.552	15.547
Income not subject to tax	(41.749)	(29.276)
Research and development allowances	(5.001)	(852)
Taxation on income	24.348	(4.499)

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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	37.454	10.082
Prepaid taxes (-)	(26.767)	(9.495)
	10.687	587
Deferred tax asset	(62.578)	(65.818)
Deferred tax liability	46.613	62.409
	(5.278)	(2.822)

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.

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	
	2009	2008	2009	2008
Deferred tax asset				
Warranty expense provision	43.155	42.141	8.564	8.428
Employee termination benefits	19.394	17.426	3.891	3.501
Unearned interest on receivables	8.347	20.169	1.669	4.034
Capitalized financing expenses written off	56.531	45.273	11.270	9.056
Provision for doubtful receivables	43.252	23.576	8.632	4.715
Accrued expenses	6.808	2.114	1.349	423
Taxable loss carried forward	111.195	139.720	18.280	28.956
Prepaid expenses	28.211	16.178	5.642	3.236
Other	15.937	15.187	3.281	3.469
			62.578	65.818
Deferred tax liability				
Temporary differences arising from restating non-monetary assets	204.937	291.599	42.420	57.585
Unearned interest on payables	5.994	7.447	1.199	1.489
Other	10.505	11.683	2.994	3.335
			46.613	62.409
			15.965	3.409

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The movement of deferred tax liability is given below:

Opening balance	3.409	(14.537)
Deferred tax income	13.106	14.581
Translation differences	(550)	3.365
Closing balance	15.965	3.409

18. EMPLOYEE TERMINATION BENEFITS

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

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

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

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.

	2009	2008
Opening balance	17.883	19.208
Charge for the year	5.560	13.045
Disposals	(4.007)	(14.370)

Closing balance	19.436	17.883
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Number of personnel at the year end:

Personnel	9.900	9.435
Sub-contracted personnel	2.248	6.065
	12.148	15.500

Personnel cost:

Personnel cost	229.260	275.425
Sub-contracted personnel cost	20.303	58.774
	249.563	334.199

Key personnel salaries and other short term benefits	13.320	12.623
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19. SHARE CAPITAL

The authorized share capital of the Company comprised 44.000.000.000 shares of par value Kr 1 each at 31.12.2009 and 2008.

As of 31.12.2009 the issued and paid up share capital of the Company comprised 33.545.627.500 shares (2008: 17.545.627.500) of par value Kr 1 each.

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

	Shareholding %		Shareholding amount	
	2009	2008	2009	2008
Collar Holding BV	75%	52%	250.566	90.520
Other shareholders	25%	48%	84.890	84.936
Share capital	100%	100%	335.456	175.456
Inflation adjustment of share capital			417.762	417.762
			753.218	593.218

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

20. GENERAL RESERVES

General reserves comprise legal reserves and retained earnings.

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.

21. COMMITMENTS AND CONTINGENCIES

a. Contingent assets

	2009	2008
Guarantees received	52.647	111.601
Security bond obtained from suppliers	32.358	33.456
Mortgaged and guarantees received	566.039	698.233

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

b. Contingent liabilities

A Behalf of incorporated body	261.310	226.246
B Behalf of consolidated group companies	1.226.320	1.050.654
Total	1.487.630	1.276.900

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- a) Due to the export and investment incentive certificates obtained, the Group has committed to realize exports amounting to USD 181.727 thousand (2008: USD 472.126 thousand) as of the balance sheet date.
- b) 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 31.12.2009 was TL 155.060 (2008: TL 77.465).
- c) Vestel White is the guarantor for the bank loans which have been borrowed by Vestel CIS ltd and Vestel Trade Ltd from Citibank.
- d) Vestel White is the guarantor in favor of Vestel Pazarlama and Vestel Elektronik Sanayi ve Ticaret A.Ş. for bank borrowings obtained from ABN AMRO Bank.
- e) Vestel White has given guarantee to Royal Bank of Scotland PLC in favor of Vestel Germany GMBH, Vestel Pazarlama and Vestel Elektronik Sanayi ve Ticaret A.Ş. for derivatives obtained from ABN AMRO Bank.
- f) Included among the court cases started by the group are receivables totalling TL 44.293 which have been provided for in full. A provision of TL 1.133 has been set aside in respect of court cases opened against the group.
- g) 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 lawsuit is still pending and at the stage of expert evaluation. No amount has been provided in respect of this lawsuit.
- h) Total obligation of the Group related to operational lease agreements amounted to TL 7.238 (2008: TL 2.351).
- i) As of 31.12.2009, the Group has entered into forward exchange contracts amounting to USD 335.580 thousand, EUR 5.960 thousand and GBP 1.796 (2008:EUR 6.400 thousand and USD 236.726 thousand) on a fixed amount GBP 7.065 thousand, EUR 220.622 thousand and USD 11.862 thousand (31.12.2008: GBP 12.671 thousand and EUR 156.580 thousand).

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22. NATURE OF EXPENSES

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

	2009	2008
Direct materials and merchandise expenses	3.333.642	3.242.667
Changes in semi-finished goods and finished goods	(36.288)	93.640
Employee and sub-contracted personnel cost	249.563	334.199
Depreciation and amortization	211.256	185.826
Freight and freight insurance	65.312	99.335
Warranty, installation and service cost	85.590	94.234
Advertising expenses	34.874	56.738
Sales commission expenses	56.525	68.379
Office and rent expenses	44.786	46.105
License and royalty expenses	26.691	24.851
Outsourcing expenses	24.125	38.086
Energy expenses	22.158	20.800
Consulting expenses	11.759	17.280
Insurance expenses	13.789	9.789
Doubtful debts provision expense	24.610	9.653
Repair and maintenance expenses	7.494	8.338
Other expenses	131.395	141.190
	4.307.281	4.491.110

23. OTHER INCOME AND OTHER EXPENSE

	2009	2008
Scrap sales	2.547	1.806
Export commission and freight related income	8.128	33.506
Profit on sale of property, plant and equipment and intangible assets	1.631	1.116
Provisions released	13.354	6.690
Grant income	14.948	4.905
Other	14.433	17.873
Other income	55.041	65.896
Idle capacity expenses	9.226	3.433
Loss on sale of property, plant and equipment and intangible assets	8.506	1.119
Other	4.519	24.214
Other expense	22.251	28.766

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24. FINANCING INCOME AND FINANCING EXPENSE

Foreign exchange gain	454.518	928.281
Fair value gain on forward exchange contracts	5.966	9.965
Interest income from bank deposits	42.498	37.799
Unearned interest on payables	27.884	28.083
Other	–	6

Financing income	530.866	1.004.134
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Foreign exchange loss	517.884	1.463.838
Bank loans interest expense	92.305	76.313
Fair value losses on forward exchange contracts	39.011	–
Fair value losses on financial assets held for trading	1.808	–
Letters of credit expenses	64.756	49.117
Finance lease interest expense	466	386
Factoring expenses	14.409	9.686
Bank commission expenses	11.462	11.310
Unearned interest on receivables	14.550	32.262
Other	22.902	8.394

Financing expense	779.553	1.651.306
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Notes to Consolidated Financial Statements for Year Ended 31 December 2009

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25. SUPPLEMENTARY CASH FLOW INFORMATION

	2009	2008
Adjustment to reconcile profit before taxation to net cash provided from operating activities:		
Depreciation of property, plant and equipment	167.644	158.027
Amortisation of intangible assets	51.315	30.044
Profit on sale of property, plant and equipment and intangible assets	(1.631)	(1.116)
Loss on sale of property, plant and equipment and intangible assets	8.506	1.119
Provision for retirement pay	5.560	13.045
Provision for doubtful receivables	24.610	9.653
Interest expense	92.771	76.699
Interest income	(42.498)	(37.799)
Warranty provision	9.516	18.538
Unearned interest on receivables	(13.587)	1.680
Unearned interest on payables	737	(12)
Provision for diminution in value of inventories	3.285	19.220
Provision for expense accruals	(10.177)	23.658
	296.051	312.756
Depreciation expense and amortization charge:		
Cost of sales	149.258	136.521
Selling, general and administrative expenses	61.998	49.305
Other expense – Idle capacity	7.703	2.245
	218.959	188.071
Changes in operating assets and liabilities:		
Trade receivables	(76.737)	(19.310)
Inventories	(49.262)	285.646
Other assets	62.586	3.681
Trade payables	(306.272)	(66.285)
Other liabilities	(30.658)	(15.703)
	(400.343)	188.029

26. RELATED PARTY DISCLOSURE

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

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

Related party	Trade receivables	Other assets	Trade payables
2009			
Zorpet Petrogaz, Petrol, Gaz ve Petrokimya A.Ş.	–	–	25
Teds International	–	329	–
L-3 Communications Investments	2.231	–	1.896
Vestel Elektronika S.R.L.	3.013	385	–
UTS-United Technical Services, Spol.S.R.O	2.095	–	–
Vkom-Birim-Dataset Joint Venture	1.677	1.307	–
Other related parties	2.034	3.042	3.166
	11.050	5.063	5.087
2008			
Zorpet Petrogaz, Petrol, Gaz ve Petrokimya A.Ş.	–	–	366
Teds International	–	327	–
L-3 Communications Investments	666	–	1.628
Vestel Elektronika S.R.L.	4.800	–	–
UTS-United Technical Services, Spol.S.R.O	4.068	–	–
Vkom-Birim-Dataset Joint Venture	1.314	1.926	–
Other related parties	3.083	805	3.126
	13.931	3.058	5.120

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

Teds International and L-3 Communications Investments are third party minority shareholders in subsidiary companies of the Group.

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

	2009	2008
Sales		
Zorpet Petrogaz, Petrol, Gaz ve Petrokimya A.Ş.	38	231
Vestel Elektronika S.R.L.	2.002	10.065
UTS- United Technical Services, Spol S.R.O.	7.815	5.380
L-3 Communications Investments	112	5.328
Other	2.604	703
	12.571	21.707
Operating expenses		
Deniz Destek Oto Alım Satım Kiralama Temizlik Hizmetleri ve İnşaat A.Ş.	741	93
Other	3.959	946
	4.700	1.039

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

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27. 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.

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 incorporate 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.

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As of balance sheet dates, the Group's exposure to credit risk is as summarized below:

	Receivables					
	Trade receivables		Other receivables			
	Related parties	Other parties	Related parties	Other parties	Bank amounts	Other
Maximum exposure to credit risk as of 31.12.2009 (A+B+C+D)	10.874	1.204.255	5.063	134.290	307.017	3.949
- Secured portion of maximum credit risk with collateral	-	(*)	-	-	-	-
A. Carrying amount of financial assets that are not overdue and not impaired	3.506	1.099.195	1.128	133.049	307.017	2.720
B. Carrying amount of financial assets whose terms were renegotiated, otherwise are overdue and impaired	6.534	11.708	-	-	-	1.229
C. Carrying amount of assets that are overdue but not impaired	834	82.407	3.935	1.241	-	-
- Carrying amount secured with collateral	-	(*)	-	-	-	-
D. Carrying amount of assets that are impaired		10.945		-		
- Overdue (gross carrying amount)	-	55.238	-	639	-	-
- Impairment	-	(44.293)	-	(639)	-	-
- Carrying amount secured with collateral	-	(*)	-	-	-	-
- Not overdue (gross carrying amount)						
- Impairment	-	-	-	-	-	-
- Carrying amount secured with collateral	-	(*)	-	-	-	-
Maximum exposure to credit risk as of 31.12.2008 (A+B+C+D)	13.825	1.135.590	3.058	192.348	339.872	3.276
- Secured portion of maximum credit risk with collateral	-	(*)	-	-	-	-
A. Carrying amount of financial assets that are not overdue and not impaired	11.722	1.098.739	3.058	192.348	339.872	1.259
B. Carrying amount of financial assets whose terms were renegotiated, otherwise are overdue and impaired	-	20.331	-	-	-	2.017
C. Carrying amount of assets that are overdue but not impaired	2.103	16.520	-	-	-	-
- Carrying amount secured with collateral	-	(*)	-	-	-	-
D. Carrying amount of assets that are impaired					-	-
- Overdue (gross carrying amount)	-	29.176	-	-		
- Impairment	-	(29.176)	-	-		
- Carrying amount secured with collateral	-	(*)	-	-	-	-
- Not overdue (gross carrying amount)					-	-
- Impairment	-	-	-	-	-	-
- Carrying amount secured with collateral	-	(*)	-	-		

(*) Local sales are realized through the marketing company named Vestel Dayanıklı Tüketim Pazarlama A.Ş. and the receivables of this company is secured to the extent of 90% as a result of the security obtained from dealers together with the direct collection system organised through Garanti Bankası A.Ş. Export sales are realized through the foreign marketing company Vestel Dış Ticaret A.Ş. and receivables of this company have been secured by Turkish Eximbank and other international insurance institutions.

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As of the balance sheet dates, aging of overdue trade receivables is given below:

	2009	2008
Not more than 30 days	43.172	9.930
Within 1 month to 3 months	30.092	8.407
Within 3 months to 12 months	60.191	6.939
Within 1 year to 5 years	4.294	42.854
More than 5 years	18.972	–
	156.721	68.130

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.

Fixed interest rate financial instruments		
Financial assets-time deposits		
- Time deposits	151.617	181.843
Financial liabilities	486.511	346.870
Variable interest rate financial instruments		
Financial assets held for trading	14.041	–
Financial liabilities	230.595	366.924

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

	USD	EUR	TL
2009 (%)			
Assets			
Cash and cash equivalents	2,0	1,1	7,9
Trade receivables	0,3	0,9	7,1
Liabilities			
Financial liabilities	7,2	2,1	8,7
Trade payables	0,4	0,7	7,5
2008 (%)			
Assets			
Cash and cash equivalents	2,8	3,5	15,0
Trade receivables	1,2	2,8	16,6
Liabilities			
Financial liabilities	7,6	5,6	26,0
Trade payables	1,2	2,8	16,4

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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 Eur.

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.

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

	USD ('000)	EUR('000)	Other currencies TL equivalent	TL equivalent
2009				
Cash and cash equivalents	50.159	64.275	12.813	227.191
Financial assets held for trading	9.104	–	–	13.708
Trade receivables	260.372	242.802	64.361	980.928
Inventories	80.229	79.302	64.976	357.093
Other receivables	3.466	3.596	645	13.632
Total foreign currency assets	403.330	389.975	142.795	1.592.552
Current borrowings	128.408	51.410	–	304.405
Non-current borrowings	218.995	19.883	–	372.693
Trade payables	769.423	163.271	25.351	1.536.586
Other liabilities	14.982	15.384	64	55.857
Total foreign currency liabilities	1.131.808	249.948	25.415	2.269.541
Net foreign currency position	(728.478)	140.027	117.380	(676.989)
Derivatives				
Assets	335.580	5.961	4.291	522.451
Liabilities	(11.862)	(220.622)	(16.880)	(511.350)
	323.718	(214.661)	(12.589)	11.101

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	USD ('000)	EUR('000)	Other currencies TL equivalent	TL equivalent
2008				
Cash and cash equivalents	136.867	50.195	8.585	323.026
Trade receivables	185.725	183.230	18.790	691.921
Inventories	32.137	16.180	381	83.620
Other receivables	3.423	10.442	256	27.787
Total foreign currency assets	358.152	260.047	28.012	1.126.354
Current borrowings	107.230	66.578	–	304.696
Non-current borrowings	221.244	33.608	–	406.537
Trade payables	1.074.708	106.419	11.926	1.865.029
Other liabilities	26.333	10.330	78	62.015
Total foreign currency liabilities	1.429.515	216.935	12.004	2.638.277
Net foreign currency position	(1.071.363)	43.112	16.008	(1.511.923)
Derivatives				
Assets	236.726	6.400	–	371.702
Liabilities	–	(156.580)	(12.671)	(347.877)
	236.726	(150.180)	(12.671)	23.825

On basis of the above an increase of 1% in the foreign exchange rates against the Turkish Lira as of 31 December 2009 will amount to a loss of TL 6.770 (2008: TL 15.119) and a decrease will amount to profit of the same amount.

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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:

	Book value	Total cash out flow	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years
2009						
Contractual maturities						
Borrowings	717.106	816.095	66.828	242.254	498.426	8.587
Trade payables	1.049.787	1.052.821	396.822	655.999	–	–
	1.766.893	1.868.916	463.650	898.253	498.426	8.587
Derivative cash inflow	370.264	370.264	204.984	165.280	–	–
Derivative cash outflow	(370.264)	(368.535)	(204.033)	(164.502)	–	–
	–	1.729	951	778	–	–
Expected maturities						
Trade payables	641.216	641.216	217.872	423.344	–	–
Other liabilities	83.414	83.414	79.329	–	4.085	–
	724.630	724.630	297.201	423.344	4.085	–
2008						
Contractual maturities						
Borrowings	713.794	816.095	66.828	242.254	498.426	8.587
Trade payables	1.260.946	1.263.366	241.729	1.021.637	–	–
	1.974.740	2.079.461	308.557	1.263.891	498.426	8.587
Derivative cash inflow	371.702	371.702	205.698	166.004	–	–
Derivative cash outflow	(371.702)	(362.987)	(200.263)	(162.724)	–	–
	–	8.715	5.435	3.280	–	–
Expected maturities						
Trade payables	735.592	735.592	707.131	27.069	1.392	–
Other liabilities	108.689	108.689	51.789	56.837	63	–
	844.281	844.281	758.920	83.906	1.455	–

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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

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:

	2009	2008
Total borrowings (note 13)	717.106	713.794
Less: Cash and cash equivalents	(310.966)	(343.148)
Net debt	406.140	370.646
Total equity	1.171.476	919.483
Overall financing	1.577.616	1.290.129
Capital to overall financing ratio	26%	29%

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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.

28. POST BALANCE SHEET EVENTS

According to the Company's Board of Directors decision dated 08.03.2010 it was decided to buy 290.000 of Cabot İzmir Donanım Sanayi ve Ticaret A.Ş. shares (58% of its share capital) with nominal value of TL 1.00 each from Cabot Communications Ltd. for TL 1.740.

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi Investor Information

Ordinary General Meeting

In line with a resolution passed at a meeting of the Board of Directors of Vestel Elektronik Sanayi ve Ticaret A.Ş., the Company's ordinary general meeting for 2009 will be held on 26 May 2010 at 10:00 am at the address of Zorlu Plaza, Avcılar-İstanbul.

Independent Auditor

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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.

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