

**VESTEL ELEKTRONİK SANAYİ VE
TİCARET ANONİM ŞİRKETİ
GROUP OF COMPANIES
INFLATION ADJUSTED
FINANCIAL STATEMENTS AT
31 DECEMBER 2005
TOGETHER WITH AUDITORS' REPORT**

**INDEPENDENT PUBLIC ACCOUNTANTS' REPORT OF
VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
FOR THE YEAR ENDED 31 DECEMBER 2005**

**To the Shareholders and Board of Directors of
Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi**

1. We have audited the accompanying consolidated balance sheet of Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi (the "Company") and its subsidiaries together with the Company (the "Group") at 31 December 2005 and the related consolidated statement of income, movement in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with International Standards on Auditing. These standards require us to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. The property, plant and equipment for TV production, a part of stocks of finished goods, components and raw materials of Vestel CIS Ltd., the 100% subsidiary of the Company in Russia were destroyed as a result of fire on 14 November 2005. The administrative building was also destroyed together with all accounting records and documents.

The assessment of the damage resulting from the fire has been started and according to the external auditor's report of Vestel CIS Ltd. the net book value of fixed assets and stocks damaged or destroyed amounted respectively to YTL 17.899.433 of and YTL 19.830.433 together with claim for loss of profit the total damage comes to YTL 41.341.006 (note 8) which has been accounted for under "other current assets". As of the report date negotiations between the insurance company and Vestel CIS Ltd. have not yet been concluded. The management of Vestel CIS Ltd. believes that there will be no difference between their claim and the compensation to be received from the insurance company and therefore no provision has been set aside in this respect.

Furthermore the local tax authority in Russia has asked for a reimbursement of YTL 6.007.239 representing the Value Added Tax ("VAT") deducted in the past with respect to fixed assets which have been destroyed by the fire. Negotiations with the tax office have been in progress. No provision has been set aside in respect of the VAT reimbursement in question.

The external auditor of Vestel CIS Ltd. has not been able to carry out its audit as of 31 December 2005 in accordance with International Standards on Auditing and has therefore not been able to express an opinion on the accounts as of 31 December 2005.

The total assets of Vestel CIS Ltd. are YTL 166.567.964 which amounts to 3,8% of the consolidated total assets of the Group. The net loss of Vestel CIS Ltd. for year ending 31 December 2005 is YTL 1.184.871 which amounts to 1,4% of the consolidated net profit of the Group for same year. The management of the Group is of the opinion that the total fire damage of YTL 41.341.006 does not have a material effect on the operations of the Group.

4. In our opinion, except for the effects, if any, of the matters mentioned in paragraph three above the financial statements referred to above present fairly, in all material respects the financial position of Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi and its subsidiaries at 31 December 2005 and the consolidated results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

ARKAN & ERGİN Uluslararası Denetim ve Yeminli Mali Müşavirlik A.Ş
Member Firm of Grant Thornton International

Aykut Halit
Partner

Istanbul
24 March 2006

VESTEL ELEKTRONİK GROUP OF COMPANIES
CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2005 AND 2004

(Currency shown in thousands of New Turkish Lira (“YTL”) in equivalent purchasing power at 31.12.2005 unless otherwise indicated.)

ASSETS	Note	31.12.2005	31.12.2004
Current Assets			
Cash and cash equivalents	5	581.086	623.077
Trade receivables	6	1.367.848	1.049.733
Due from group companies	23	225	40.281
Inventories	7	1.030.006	913.629
Other assets	8	196.166	181.168
Total Current Assets		3.175.331	2.807.888
Non-current Assets			
Trade and other receivables		13.077	10.425
Investments	9	3.069	4.866
Property, plant and equipment, net	10	974.033	860.056
Intangible assets, net	11	138.476	138.357
Other assets	8	31.728	--
Deferred tax asset	15	55.031	34.913
Total Non-current Assets		1.215.414	1.048.617
Total Assets		4.390.745	3.856.505

The accompanying notes are an integral part of these statements.

VESTEL ELEKTRONİK GROUP OF COMPANIES
CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2005 AND 2004

(Currency shown in thousands of New Turkish Lira (“YTL”) in equivalent purchasing power at 31.12.2005 unless otherwise indicated.)

LIABILITIES AND EQUITY	Note	31.12.2005	31.12.2004
Current Liabilities			
Borrowings	12	171.934	156.792
Trade payables	13	2.064.592	1.633.908
Taxation on income	15	12.030	14.466
Other liabilities	14	183.906	159.840
Total Current Liabilities		2.432.462	1.965.006
Non-current Liabilities			
Borrowings	12	525.597	509.035
Reserve for retirement pay	16	18.456	26.003
Deferred tax liability	15	115.753	175.004
Total Non-current Liabilities		659.806	710.042
Equity and Reserves			
Share capital	17	576.862	576.862
Minority interest		160.432	110.722
General reserve	18	477.837	406.935
Net income for the year		83.346	86.938
Total Equity And Reserves		1.298.477	1.181.457
Commitments And Contingencies	19		
Total Liabilities And Equity		4.390.745	3.856.505

The accompanying notes are an integral part of these statements.

VESTEL ELEKTRONİK GROUP OF COMPANIES
CONSOLIDATED INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 AND 2004

(Currency shown in thousands of New Turkish Lira (“YTL”) in equivalent purchasing power at 31.12.2005 unless otherwise indicated.)

	Note	01.01- 31.12.2005	01.01- 31.12.2004
Net sales		4.456.229	4.604.903
Cost of Sales		(3.798.115)	(3.854.366)
Gross Profit		658.114	750.537
Selling expenses		(337.763)	(318.197)
General and administrative expenses		(141.642)	(138.089)
Warranty expenses		(30.972)	(30.327)
Other income / (expense), net	20	22.265	5.224
Income From Operations		170.002	269.148
Financing income / (expense), net	21	(36.085)	(74.057)
Income Before Taxation		133.917	195.091
Taxation charge			
Current		(54.699)	(41.036)
Deferred		43.592	(2.428)
Taxation on income	15	(11.107)	(43.464)
Income Before Minority Interest		122.810	151.627
Minority interest		(30.168)	(45.979)
Monetary loss	27	(9.296)	(18.710)
Net Income For The Year		83.346	86.938
Basic and fully diluted earnings per share (in full TL)	4	524	546

The accompanying notes are an integral part of these statements.

VESTEL ELEKTRONİK GROUP OF COMPANIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2005 AND 2004

(Currency shown in thousands of New Turkish Lira ("YTL") in equivalent purchasing power at 31.12.2005 unless otherwise indicated.)

	Share capital	General reserve	Minority interest	Net income for the year	Total equity
Balance at 1 January 2004	576.862	367.509	65.114	82.158	1.091.643
Distribution of income					
- Transfer to reserves	--	82.158	--	(82.158)	--
Exchange differences	--	(1.552)	(427)	--	(1.979)
Transfer from minority	--	121	(121)	--	--
Consolidated subsidiaries	--	(9)	177	--	168
Deferred tax liabilities	--	(41.292)	--	--	(41.292)
Net income for the year	--	--	45.979	86.938	132.917
Balance at 1 January 2005	576.862	406.935	110.722	86.938	1.181.457
Distribution of income					
- Transfer to reserves	--	86.938	--	(86.938)	--
Exchange differences	--	(433)	(92)	--	(525)
Transfer to minority	--	--	30.260	--	30.260
Consolidated subsidiaries	--	(15.603)	19.542	--	3.939
Net income for the year	--	--	--	83.346	83.346
Balance at 31 December 2005	576.862	477.837	160.432	83.346	1.298.477

The accompanying notes are an integral part of these statements.

VESTEL ELEKTRONİK GROUP OF COMPANIES
CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 AND 2004

(Currency shown in thousands of New Turkish Lira (“YTL”) in equivalent purchasing power at 31.12.2005 unless otherwise indicated.)

	Note	01.01- 31.12.2005	01.01- 31.12.2004
Cash flow provided by operating activities			
Net income for the year		83.346	86.938
Adjustment to reconcile net income to net cash provided from operating activities:			
Depreciation and amortization	22	119.222	109.332
Provision for retirement pay		(3.639)	5.523
Provision for tax		11.107	43.464
Provision for doubtful receivables		1.273	4.045
Provision for expense accruals		11.746	18.730
Warranty provision		2.757	(3.853)
Other		--	(9)
Operating profit before changes in working capital		225.812	264.170
Changes in operating assets and liabilities	22	(10.578)	(4.808)
Taxes paid		(57.135)	(36.766)
Net cash provided by operating activities		158.099	222.596
Cash flow from financing activities			
Changes in current borrowings, net		15.142	46.893
Changes in non-current borrowings, net		16.562	(57.622)
Changes in minority interest		34.107	45.608
Net cash provided by financing activities		65.811	34.879
Cash flow from investing activities			
Changes in investments		1.797	91
Changes in tangible and intangible assets		(285.167)	(265.415)
Changes in other investing activities	22	(34.380)	14.884
Net book value of fixed assets disposed		51.849	24.927
Net cash used in investing activities		(265.901)	(225.513)
Net increase (decrease) in cash and cash equivalents		(41.991)	31.962
Cash and cash equivalents at beginning of year		623.077	591.115
Cash and cash equivalents at end of year		581.086	623.077

The accompanying notes are an integral part of these statements.

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş. GROUP OF COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 AND 2004

(Currency shown in thousands of New Turkish Lira (“YTL”) in equivalent purchasing power at 31.12.2005 unless otherwise indicated.)

1. ORGANISATION AND NATURE OF ACTIVITIES

Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi (the “Company” or “Vestel Elektronik”) was founded in March 1983 under the name of Ferguson Elektronik Sanayi ve Ticaret A.Ş. under the Turkish Commercial Code and was registered in İstanbul, Turkey. The name was changed to Star Elektronik Sanayi ve Ticaret A.Ş. during the same year. In April 1984 Polly Peck Group acquired the Company and changed its name to Vestel Elektronik Sanayi ve Ticaret Anonim Şirketi which has been its current name. In 1990 18% of the Company’s shares were issued to the public at the İstanbul Stock Exchange. The Company has been operating under Law 6224 (Foreign Capital Incentive Law) 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. (Vestel Elektronik)

The Company is mainly engaged in the production of color televisions. The Company’s production facilities are located in Manisa industrial site (Aegean Region, Turkey). As of the balance sheet date, production capacity for color televisions was 14.000.000 (2004: 12.500.000) units per year respectively .

Vestel-CIS Limited (Vestel CIS)

Vestel CIS was registered on 15 November 2002 (in Vladimir Region, Russia). The Company is mainly engaged in the production of color televisions and commenced its production in the second half of 2003.

B. Refrigerator and air conditioning units and washing machines

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

Vestel White started working actively in 1999 and is engaged in the production of refrigerators, room air conditioning units, washing machines and cookers. Vestel White’s production facilities are located in Manisa Organized industrial site (Aegean Region, Turkey). As of the balance sheet date, production capacity for refrigerators, room air conditioning units and washing machines was 2.800.000, 700.000 and 2.000.000 (2004: 2.000.000, 350.000 and 1.150.000) units per year.

Vestel-CIS Limited (Vestel CIS)

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

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C. Digital Devices

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

Vestel Kom’s production facilities are primarily located in İzmir Aegean free zone industrial site. As of the balance sheet date, production capacity for digital devices was 8.600.000 (2004: 7.000.000) units per year.

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

Vestel Dijital is engaged in the production of, personal computers (PC) and internet access devices. Vestel Dijital’s production facilities are located in Manisa industrial site. As of the balance sheet date, production capacity for digital devices was 2.800.000 units per year.

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

Consolidated Company	Location	Field of activity	Shareholding (%)	
			31.12.2005	31.12.2004
Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.	Turkey	Manufacturing	35,0%	35,0%
Vestel Komünikasyon Sanayi ve Ticareti A.Ş.	Turkey	Manufacturing	99,2%	99,2%
Vestel CIS Ltd.	Russia	Manufacturing	100,0%	100,0%
Vestel Dijital Üretim Sananayi A.Ş.	Turkey	Manufacturing	98,0%	--
Deksar Multimedya ve Telekomünikasyon A.Ş.	Turkey	Information	99,9%	99,9%
Vestel Savunma Sanayi A.Ş.	Turkey	Software	29,9%	29,9%
Cabot Communications Ltd.	England	Software	90,9%	82,5%
Cabot Izmir Donanım Sanayi ve Ticaret A.Ş.	Turkey	Software	90,5%	85,6%
Veseg Video Handelsgesellschaft GmbH	Germany	Marketing	50,8%	50,8%
Vestel France SA	France	Marketing	99,5%	99,5%
Vestel Iberia SL	Spain	Marketing	99,7%	99,7%
Vestel Dış Ticaret A.Ş.	Turkey	Marketing	99,7%	99,7%
Vestel Benelux BV	Netherlands	Marketing	50,8%	50,8%
Vestel UK	England	Marketing	99,7%	99,7%
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	Turkey	Marketing	99,8%	99,8%
Vestel Italy SRL	Italy	Marketing	50,8%	50,8%
Vestel Holland BV	Netherlands	Marketing	99,7%	99,7%
Aydın Yazılım Elektronik Sanayi ve Ticaret A.Ş.	Turkey	Software	18,0%	--
Electronics Outlet SRL	Italy	Marketing	50,8%	--
Vestek Elektronik Araştırma Geliştirme A.Ş.	Turkey	Research and development	93,8%	--

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş. GROUP OF COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 AND 2004

(Currency shown in thousands of New Turkish Lira (“YTL”) in equivalent purchasing power at 31.12.2005 unless otherwise indicated.)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

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

The Company, which is quoted on the İstanbul Stock Exchange, maintains its books of account and prepares its statutory financial statements in accordance with the Turkish Commercial Code, accounting policies prescribed by the Turkish Capital Markets Board and tax legislation and since 1994 has adopted the Uniform Chart of Accounts issued by the Ministry of Finance (collectively “Turkish Practices”). Its subsidiaries which are incorporated in Turkey, maintain their books of account and prepare their statutory financial statements in accordance with the Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The foreign subsidiaries maintain their books of account and prepare their statutory financial statements in their local currencies and in accordance with the regulations of the countries in which they operate. The financial statements of overseas subsidiaries are converted into New Turkish Lira (YTL) by closing rate method. The consolidated financial statements have been prepared from statutory financial statements of the Company and its subsidiaries and presented in New Turkish Lira (YTL) with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS. Such adjustments mainly comprise deferred taxation, employee termination benefits, fixed assets and borrowing costs, investment property, receivables, interest expense accruals on bank loans.

Measurement Currency, Reporting Currency

In accordance with Law No. 5083 in respect of “the Currency of the Turkish Republic” published in the Legal Gazette dated January 31, 2004, numbered 25363, which came into force from January 1, 2005, a new local measurement and reporting currency unit has been introduced. Turkish Lira (TL) currency units formerly used have been converted to New Turkish Lira (YTL) at the rate of 1,000,000 TL= 1 YTL. Both notes and coins of the former (TL) as well as the new currency units (YTL) were in circulation during 2005.

IAS 29 – Financial Reporting in Hyperinflationary Economies (“IAS 29”) requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the most recent balance sheet date and the corresponding figures for previous periods be restated in the same terms. One characteristic (but not limited to) that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. The restatement of previous periods in the accompanying financial statements has been based on the conversion factors obtained from the Wholesale Price Indices (“WPI”) published by the State Institute of Statistics of Turkey. As of 31 December 2005, the three year cumulative rate has been 36% (31 December 2004: 70%) based on the Turkish countrywide wholesale price index published by the State Institute of Statistics. These indices and the conversion factors are shown below:

Year	2005	2004	2003
Index	8,785.7	8,403.8	7,382.1
Conversion factor	1.000	1.045	1.190

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The main guidelines for the above mentioned restatement are as follows:

- The financial statements of the prior year, including monetary assets and liabilities reported therein, which were previously reported in terms of the measuring unit current at the end of that year are restated in their entirety to the measuring unit current for the year ended December 31, 2005.
- Monetary assets and liabilities reported in the balance sheet as of December 31, 2005 are not restated because they are already expressed in terms of the monetary unit current at that balance sheet date.
- The inflation adjusted share capital is derived by indexing cash contributions, dividends reinvested, transfers from statutory retained earnings and income from sale of investments and property, transferred to share capital from the date they were contributed and registered so.
- The financial statements of the prior periods are restated with current purchasing power of money at the most recent balance sheet date.
- All items in the income statement are restated by applying the monthly conversion factors except for depreciation, amortization, gain or loss on disposal of non-monetary assets which are calculated based on the restated gross book values and accumulated depreciation or amortization of the related values.
- The effect of general inflation on the net monetary position is included in the income statement as monetary gain (loss).

Restatement of balance sheet and income statement items through the use of a general price index and relevant conversion factors does not necessarily mean that the Company could realize or settle the same values of assets and liabilities as indicated in the balance sheets. Similarly, it does not necessarily mean that the Company could return or settle the same values of equity to its shareholders.

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, the 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.

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş. GROUP OF COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(Currency shown in thousands of New Turkish Lira (“YTL”) in equivalent purchasing power at 31.12.2005 unless otherwise indicated.)

FOREIGN CURRENCY TRANSLATIONS

Convenience translation of financial statements - For the convenience of the reader, the accompanying financial statements 31 December 2005 have been translated from New Turkish Lira to EURO with the Central Bank buying exchange rate at period-ends. Such convenience translations are not intended to comply with the provisions of IAS 21 “The Effects of Changes in Foreign Exchange Rates” or Financial Accounting Standards Board No 52 “Foreign Currency Translations” for the translation of financial statements in a highly inflationary economy. Prior to the translation, the Turkish Lira amounts have been re-measured in compliance with International Financial Reporting Standard 29, “Financial Reporting in Hyperinflationary Economies” as explained above.

Foreign currency transactions and translation - Transactions in foreign currencies during the periods have been translated into YTL at the exchange rates prevailing at dates of these transactions. Balance sheet items denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from settlement and translation of foreign currency items have been included in the income or expense accounts as appropriate.

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.

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

	31.12.2005	31.12.2004
US Dollar	1,3418	1,3421
EURO	1,5875	1,8268

PROPERTY, PLANT AND EQUIPMENT

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

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

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.

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(Currency shown in thousands of New Turkish Lira (“YTL”) in equivalent purchasing power at 31.12.2005 unless otherwise indicated.)

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

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

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 operating leases. Lease payments on operating lease are recognized as an expense on a straight-line basis over the lease term.

Capitalized leased assets are depreciated in accordance with the depreciation policy noted above.

INTANGIBLE ASSETS

Goodwill – Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group’s interest in the fair value of the identifiable assets and liabilities of Vestel Dayanıklı Tüketim Malları ve Pazarlama A.Ş., Vestel Dış Ticaret A.Ş., Vestel Komünikasyon Sanayi ve Ticaret A.Ş., Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. and Aydın Yazılım Elektronik 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.

Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

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

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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 5 years. 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.

Computer software development cost – Generally, costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. However, costs that are directly associated with identifiable and unique software products controlled by the Company and have probable economic benefit exceeding the cost beyond one year, are recognized as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognized as a capital improvement and added to the original cost of the software. Computer software development costs are recognized as assets and amortized using the straight line basis over their useful lives, not exceeding a period of 5 years.

Other intangible assets – Expenditure on leasehold improvements and computer software licenses and amortized using the straight line basis over their useful lives, varies between 5 to 10 years.

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

INVESTMENTS

All investments are initially recognized at cost, restated at the equivalent purchasing power of Turkish lira at 31 December 2005, being the fair value of the consideration given and including acquisition charges associated with the investment.

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

INVENTORIES

Inventories are stated at the lower of cost, restated at the equivalent purchasing power at 31 December 2005, and net realizable value. Costs comprise direct materials and, where applicable, direct labor costs and those overheads (based on normal operating capacity) that have been incurred in bringing the inventories to their present location and condition but excludes borrowing cost. Cost is calculated by using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

TRADE RECEIVABLES

Trade receivables are carried at original amount less an estimate made for doubtful receivables. The management believes that the estimated amount will be adequate to absorb possible future losses on existing receivables that may become uncollectible due to current economic conditions and inherent risks in the receivables. Bad debts are written off when identified.

RELATED PARTIES

For the purpose of the accompanying financial statements, the shareholders of the Company, its directors and the companies identified by the Company as being controlled by/affiliated with them are considered and referred to as related parties. A number of transactions are entered into with related parties in the normal course of business (see note 23).

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ALLOWANCE FOR UNEARNED INTEREST

Unearned interest is calculated at the rate of 13,8% (31 December 2004: 21%) per year for New Turkish Lira and 3,5 % (31 December 2004: 2,6%) per year for foreign currency on receivables and payables at the balance sheet date.

BANK BORROWINGS

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

RECOGNITION AND DERECOGNITION OF FINANCIAL STATEMENTS

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 financial asset when and only when it loses control of the contractual rights that comprise the financial asset or a portion financial asset. The Company derecognizes a financial liability when and only when a liability is extinguished that is when the obligation specified in the contract is discharged, cancelled and expires.

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.

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 probable that the gain will be realized.

USE OF ESTIMATES

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

REVENUE RECOGNITION

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is shown net of value added and sales taxes, discounts and returns, all restated in equivalent purchasing power at 31 December 2005.

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

Rental income – on an accrual basis.

Interest income – on an effective yield basis.

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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.

BORROWING COSTS

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

PROVISIONS

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

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

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

EARNINGS PER SHARE

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

CASH AND CASH EQUIVALENTS

For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, deposits with banks and other financial institutions, other money market placements and funds lent under securities resale agreements with the original maturity of three months or less.

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4. EARNINGS PER SHARE

	31.12.2005	31.12.2004
Net profit attributable to shareholders (YTL Thousand)	83.346	86.938
Weighted average number of ordinary shares in issue ('000)	159.100.000	159.100.000
Basic and diluted earnings per share (in full TL per share)	524	546

5. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	570.557	623.077
Other	10.529	--
	581.086	623.077

The maturity of time deposits was between January 2006 and January 2007 and the interest rate was 2% per year for foreign currency and 14% for New Turkish Lira per year (31 December 2004: the interest rate was 1,85% for foreign currency and 36,7% for New Turkish Lira per year).

6. TRADE RECEIVABLES

Trade receivables		
- Third parties	1.090.297	741.748
- Related parties (note 23)	647	1.682
Notes receivable		
- Third parties	300.336	323.726
Less: unearned interest on receivables	(14.703)	(9.771)
Less: allowance for doubtful receivables	(8.982)	(8.938)
Other	253	1.286
	1.367.848	1.049.733

The movement of doubtful receivables is given below:

Beginning balance	8.938	4.893
Charge for the period, net	1.278	5.464
Proceeds from doubtful receivables	(833)	(846)
Monetary gain	(401)	(573)
Ending balance	8.982	8.938

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7. INVENTORIES

	31.12.2005	31.12.2004
Raw materials	320.985	309.391
Work in process	42.589	39.693
Finished goods and merchandise	413.853	276.902
Spares and supplies	4.175	4.029
Goods in transit	248.404	283.614
	1.030.006	913.629

8. OTHER ASSETS

Current

Prepaid expenses	25.123	31.743
Income accruals	43.655	100.915
Receivable from insurance company (*)	41.341	--
VAT receivable	59.758	38.203
Work advances	4.222	6.091
Due from personnel	753	859
Project expenses	17.273	1.614
Other	4.041	1.743
	196.166	181.168

Non-current

Prepaid expenses	31.583	--
Other	145	--
	31.728	--

(*) Vestel CIS Limited’ s property, plant and equipment used for television production, part of finished goods, components and raw materials were fully destroyed by fire on 14 November 2005. Vestel CIS Limited is negotiating insurance claims in the amount of YTL 41.341 (USD 30.810 thousand) with respect to a fire that destroyed certain Company properties, and the resulting business interruption the outcome of which is not known as of the date of these financial statements.

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9. INVESTMENTS

Entity	Country	Share percentage		Restated Amount	
		31.12.2005	31.12.2004	31.12.2005	31.12.2004
Unconsolidated Entity					
Vestpro Electronics SA	Romania	52%	52%	301	301
Vestel USA Inc.	USA	100%	100%	233	233
Vestel Elektronika SA	Romania	100%	--	18	18
Vestel India	India	100%	--	10	--
Less: Allowance for diminution in value					
Vestpro Electronics SA	Romania			(301)	(301)
Vestel USA Inc.	USA			(233)	(233)
				28	18
Other investments					
Zorlu Enerji Elektrik Üretimi A.Ş.	Turkey	Less than 1%	Less than 1%	3.013	2.960
Vestelnet Elektronik İletişim A.Ş.	Turkey	--	2%	--	1.860
Tursoft A.Ş.	Turkey	7%	7%	13	13
Zorlu Endüstriyel Enerji A.Ş.	Turkey	1%	1%	3	3
İzmir Teknoloji Geliştirme A.Ş.	Turkey	5%	5%	12	12
				3.069	4.866

The following Companies in which the Company has a controlling interest or significant influence are not consolidated.

-Vestpro Electronics SA and Vestel USA Inc. have been inactive since 2002.

- Zorlu Enerji Elektrik Üretimi Otoprodüktör Grubu A.Ş. shares are quoted at the Istanbul Stock Exchange and are shown at market value by reference to the average of the closing bid prices of the last five days preceding 31 December 2005 as required by IAS 39.

Except for Zorlu Enerji Elektrik Üretimi Otoprodüktör Grubu A.Ş., the shares of the Company's subsidiaries and affiliates are not quoted at the Istanbul Stock Exchange or any other recognized market.

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10. PROPERTY, PLANT AND EQUIPMENT, net

	Land and buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Restated cost						
Balance at 31 December 2004	169.373	1.074.281	2.832	72.583	72.174	1.391.243
Additions	14.437	90.695	1.489	9.240	157.849	273.710
Disposals	(11.997)	(46.746)	(109)	(2.825)	(6.558)	(68.235)
Consolidated companies	--	6.254	354	3.299	--	9.907
Translation differences	(1.998)	(935)	(133)	(264)	(687)	(4.017)
Transfers	43.818	101.024	--	1.033	(146.080)	(205)
Balance at 31 December 2005	213.633	1.224.573	4.433	83.066	76.698	1.602.403
Restated accumulated depreciation						
Balance at 31 December 2004	18.251	463.733	1.029	48.174	--	531.187
Additions	4.948	93.431	696	6.342	--	105.417
Disposals	(402)	(15.163)	(77)	(1.107)	--	(16.749)
Consolidated companies	--	6.201	174	2.614	--	8.989
Translation differences	(147)	(136)	(28)	(163)	--	(474)
Transfers	--	42	--	(42)	--	--
Balance at 31 December 2005	22.650	548.108	1.794	55.818	--	628.370
Net book value as of						
31 December 2004	151.122	610.548	1.803	24.409	72.174	860.056
31 December 2005	190.983	676.465	2.639	27.248	76.698	974.033

Property, plant and equipment have been mortgaged to the extent of YTL 45.000 as collateral against bank loans and bank guarantees on letters of credit).

Leased assets included in the table above comprise plant and machinery amounting to YTL 34.231 (2004: YTL 41.394) 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 Beyaz Eşya to increase its refrigerator and washing machine production capacity and new investment made in cooker and dishwasher segment during 2004 and 2005.

As of 31 December 2005, disposals from property, plant and equipment includes restated cost and accumulated depreciation amounting to YTL 20.403 and YTL 2.503 related to fully destroyed Vestel CIS plant (Russia) used for television production on 14 November 2005.

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11. INTANGIBLE ASSETS, net

	Goodwill	Research and development cost	Other intangible assets	Total
Restated cost				
Balance at 31 December 2004	72.637	38.545	140.356	251.538
Additions	2.672	--	11.864	14.536
Disposals	--	--	(395)	(395)
Consolidated companies	--	--	2.273	2.273
Translation differences	(1.184)	--	(271)	(1.455)
Transfers	--	--	205	205
Balance at 31 December 2005	74.125	38.545	154.032	266.702
Restated accumulated amortization				
Balance at 31 December 2004	14.212	5.544	93.425	113.181
Additions	--	2.330	11.475	13.805
Disposals	--	--	(32)	(32)
Consolidated companies	--	--	1.607	1.607
Translation differences	(168)	--	(167)	(335)
Balance at 31 December 2005	14.044	7.874	106.308	128.226
Net book value as of				
Balance at 31 December 2004	58.425	33.001	46.931	138.357
Balance at 31 December 2005	60.081	30.671	47.724	138.476

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

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

Other intangible assets mainly comprise leasehold improvements and computer software licenses and rights.

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12. BORROWINGS

	Current		Non - Current	
	Foreign Currency	YTL Equivalent	Foreign Currency	YTL Equivalent
31.12.2005				
New Turkish lira borrowings	--	1.049	--	--
Foreign currency bank borrowings				
-USD ('000)	27.184	36.476	249.141	334.297
-EURO ('000)	82.215	130.516	118.644	188.347
Finance lease liabilities, net				
-USD ('000)	1.273	1.708	1.774	2.380
-EURO ('000)	1.376	2.185	362	573
		171.934		525.597
31.12.2004				
New Turkish lira borrowings and accrued interest on bank borrowings	--	1.771	--	--
Foreign currency bank borrowings				
-USD ('000)	13.204	18.526	216.351	303.562
-EURO ('000)	68.835	131.464	103.722	198.092
Finance lease liabilities, net				
-USD ('000)	1.440	2.021	3.064	4.300
-EURO ('000)	1.576	3.010	1.614	3.081
		156.792		509.035

The effective interest rates of foreign currency loans and New Turkish Lira loans vary between 2,7 % and 11,4% (2004: - 2,8% and 12% and) and 0% (2004- 0% and 15%) respectively.

Summary maturity schedule of bank borrowings were as follows:

	31.12.2005	31.12.2004
Due in one year	171.934	156.792
Due between one to five years	215.747	504.626
Over five years	309.850	4.409
	697.531	665.827

Letters of guarantee and notes amounting to YTL 67.740 (USD 15.000.242 and EURO 29.992.000) have been given as collateral for Turkish Eximbank and other credits (2004: YTL 34.104 (EURO 18.411.066)).

Property, plant and equipment have been mortgaged to the extent of YTL 45.000 as collateral against bank loans and bank guarantees on letters of credit.

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13. TRADE PAYABLES

	31.12.2005	31.12.2004
Trade payables		
- Third parties	1.516.343	1.175.968
- Related parties (note 23)	1.272	2.838
Letters of credit	243.850	159.400
Letters of credit discounted	248.925	209.211
Notes payable	56.872	88.660
Less: unearned interest on payables	(3.285)	(3.387)
Other	615	1.218
	2.064.592	1.633.908

14. OTHER LIABILITIES

Income tax and social security payables	20.038	14.775
Advances received	18.373	20.837
Warranty expense provision	39.252	36.495
Accrued expenses	11.746	18.730
Forward expense accruals	62.526	66.603
Deferred project income	20.263	--
Due to personel	6.663	454
Other	5.045	1.946
	183.906	159.840

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15. TAXATION ON INCOME

The Corporation Tax rate on the profits for the calendar year 2004 was 30%. However according to Law 5035 published on 2 January 2004 the Corporation Tax rate for the taxable profits of 2004 only has been determined as 33%. Taxable profits are calculated by addition of tax disallowed expenses to and deduction of tax exempt income from the profit disclosed in the statutory income.

The tax legislation provides for a provisional tax of 30% (25% before April 24, 2003) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final tax liability for the year. However, in accordance with Law No. 5035, provisional taxes for the year 2004 was calculated and paid at the rate of 33%.

The part of profits distributed in dividend to individuals and non-resident companies are subject to withholding tax as follows:

- Up to 24 April 2003, the rate was 5,5% and 16,5% respectively for public and non public companies.
- 24 April 2003 –31 December 2003 the rate was 11%.
- After 1 January 2004 (applicable to profits of year 2003 distributed in year 2004) the rate has become 10%.

However the following are exempt from withholding tax:

- Dividends out of profits obtained up to 31 December 1998.
- Dividends out of profits exempted from Corporation Tax obtained up to 31 December 2002.
- Investment allowances relating to fixed assets purchased before 24 April 2003 which allowances bare tax at 19,8%.
- No withholding tax has been payable on undistributed profits, profits added to share capital (bonus shares) and dividends paid to other resident companies.

In addition, the Turkish government offers investment incentives to companies that make certain qualifying capital investments in Turkey. Prior to 24 April 2003 the total amount of qualifying capital investments was deducted from taxable income and the remainder of taxable income, if any, was taxed at the corporate rate. A withholding tax 19,8% was applied to the total amount of qualifying capital investments. With effect from 24 April 2003, the investment scheme was amended such that companies are no longer subject to a withholding tax, but rather directly deduct 40% of qualifying capital investments from their annual taxable income. In addition, corporations that had unused qualifying capital investment amounts from periods prior to 24 April 2003 were entitled to carry forward these and apply the 19,8% withholding tax to these amounts in the manner described above.

Tax losses that are reported in Corporation Tax return can 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 Law nr. 5024 published on 30 December 2003 has introduced changes and additions to the taxation of companies with effect from 1 January 2004, as follows:

- Taxable profits as from 1 January 2004 will be based on financial statements adjusted for the effects of inflation; such adjustments for inflation will be made in respect of each quarterly tax period during the year.
- The adjustments for inflation will be based on the increase in Wholesale Price Indices published by the Turkish Institute of Statistics.

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- The adjustment for inflation has to be made if cumulative inflation rate for previous 36 months exceeds 100% and the inflation rate for previous 12 months exceeds 10%. If the 100% and the 10% condition do not apply simultaneously there will be no requirement to adjust for inflation. The Council of Ministers may reduce the ceiling from 100% to 35% or increase the 12 monthly limits from 10% to 25%.
- The financial statements at 31 December 2003 must be adjusted for inflation through the following formula:

Total of adjusted assets
Less: - Total of adjusted liabilities (-)
 - Adjusted share capital (-)
 - Adjusted share premium account
“Difference”

- The “difference” will be termed “accumulated profit/loss” and will form part of shareholders’ equity.
- The accumulated profit ascertained as above will not be subject to any tax. If the difference results in an accumulated loss, this loss will not be deductible from future profits. The losses deductible from profits of 2004 and future years will only be the losses for 2003 and previous years as disclosed in the Corporation tax declarations for 2003 and previous years on historical basis.
- The adjustments to share capital and to other accounts forming part of shareholders’ equity may be added to share capital by way of bonus shares. Issue of such bonus shares will not considered as distribution of profit.
- Corporation Tax calculation for year 2003 will be based on the regulations valid up to 31 December 2003.
- The following will be discontinued as from 1 January 2004.
 - fiscally allowed revaluation of fixed assets
 - valuation of stocks on a LIFO basis
 - cost increase reserve for fixed assets
 - the part of financing costs disallowed for tax purposes
 - depreciation of up to 20% which is left to the option of the taxpayer. Instead depreciation rates will be ascertained by the tax administration on basis of economic life time.

Law Nr: 5024 related to inflation accounting for tax purposes calls for a cumulative inflation rate of over 100% for previous 36 months and over 10% for previous twelve months. As the 36 months inflation rate has fallen under 100% and 12 months inflation to 10%, No application for inflation accounting up to the reporting date.

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

	31.12.2005	31.12.2004
Corporation and income taxes	54.699	41.036
Less : Prepaid taxes	(42.669)	(26.570)
Taxes payable	12.030	14.466

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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 31 December 2005 and 2004 using the expected future tax rates were as follows:

	31.12.2005		31.12.2004	
	Cumulative temporary difference	Deferred Tax	Cumulative temporary difference	Deferred Tax
Deferred Tax Asset				
Warranty expense provision	32.879	9.864	29.161	8.748
Retirement pay provision	16.173	4.852	18.760	5.628
Unearned interest on receivables	14.246	4.274	9.771	2.931
Capitalised finance charges written off on inventory and fixed assets	12.728	3.818	15.571	4.679
Finance lease liabilities	2.056	617	5.990	1.797
Provision for doubtful receivables	6.536	1.961	7.186	2.156
Interest income on marketable securities	--	--	--	--
Expense accruals	67.273	20.182	8.599	2.580
Investment incentive allowances	21.500	2.193	53.469	5.454
Taxable loss	4.788	1.436	--	--
Other	19.450	5.834	3.129	940
		55.031		34.913
Deferred Tax Liability				
Temporary differences arising from restating:				
-Inventories, prepaid expenses and fixed assets	189.073	56.749	267.617	80.295
Income accruals	182.590	54.777	301.053	92.723
Unearned interest on payables	9.800	2.940	3.387	1.016
Other	4.302	1.287	3.234	970
		115.753		175.004

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16. EMPLOYEE TERMINATION BENEFITS

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum termination indemnities to each 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.

Such payments are calculated on the basis of 30 days' pay limited to a maximum of YTL 1,727 (2004: YTL 1,5477 (historic)) per year of employment at the rate of pay applicable at the date of retirement.

The liability is not funded, as there is no funding requirement.

As of 31 December 2005, in the accompanying financial statements in accordance with revised IAS 19 (Employee Benefits) the Group 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. Revised IAS 19 has been applied for the first time in the financial statements for the period ended 31 December 2005. The effect of the change in this accounting policy has been accounted for prospectively in the current year income statement as the effect on opening retained earnings was not deemed to be material.

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

	31.12.2005	31.12.2004
Opening Balance	26.003	20.480
Charge for the period	5.639	9.881
Change in accounting estimate	(8.741)	--
Consolidated entity	593	--
Disposals	(3.908)	(1.867)
Monetary gain	(1.130)	(2.491)
Closing balance	18.456	26.003
Number of personnel employed as of year end:	11.845	11.286
Personnel cost:		
	01.01- 31.12.2005	01.01- 31.12.2004
Gross salaries, wages and employer's share of social insurance	200.181	142.911

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17. SHARE CAPITAL

The authorized share capital of the Company comprised 220.000.000.000 shares of par value YTL 0,001 each at 31 December 2005. The issued and paid up share capital of the Company comprised 159.099.866.960 shares of par value YTL 0,001 each at 31 December 2005 and 2004.

As of 31 December 2005 and 2004 the shareholders of the Company and their percentage shareholdings were as follows:

	Shareholding	
	%	Amount
Collar Holding BV	51,59%	82.082
Other shareholders	48,41%	77.018
Share capital (Nominal)	100,00%	159.100
Inflation adjustment of share capital		417.762
Restated share capital equivalent to purchasing power of New Turkish Lira		576.862

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

18. 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.

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19. COMMITMENTS AND CONTINGENCIES

- a) At 31 December 2005 the Company had contingent liabilities of YTL 164.165 (2004: YTL 94.971) in respect of letters of guarantee obtained from local banks and submitted to various customs and state authorities for import and Turkish Eximbank credits.
- b) Due to the export and investment incentive certificates obtained, the Company has committed to realize exports amounting to USD 540.423.000 as of the balance sheet date.
- c) Under the terms of the Customs Union Agreement with the European Union, with effect from 1 January 1998 television tubes (a major component of television sets) became subject to Customs Tax of 14,2% when sourced from countries outside the European Union or certain specified underdeveloped countries.
- d) Property, plant and equipment have been mortgaged to the extent of YTL 45.000 as collateral against bank loans and bank guarantees on letters of credit.
- e) The payment of VAT on certain export sales may be postponed and later cancelled by the tax office subject to clearance of certain routine formalities in due course. Responsibility of the Company continues until such clearance however no liability has arisen in the past and no liability is reasonably expected for the future.
- f) The Group signed a loan agreement with Vakıflar Bankası for USD 114,4 million. Group companies and the majority shareholder of the Company were guarantors to the agreement. Additionally, a Group company has signed a loan agreement with the same financial institution for YTL 20 million and the Company and Group companies were guarantors to this credit facility.
- g) Claims from court cases started by the group and pending as of 31 December 2005 amounted to YTL 5.723, USD 45.000 and EURO 285.000. Claims from court cases started and pending against the group as of the same date was YTL 135.
- Included among the court cases started by the group are receivables totalling YTL 4.626 and tax claim of YTL 944 which have been provided for in full. In addition a provision of YTL 110 has been set aside in respect of court cases opened against the group.
- h) A law suit has been initiated against the Company by two companies which engaged in the production of household appliances for the invalidity of the patent certificate. The Company has initiated a counter law suit with a claim to cancel the patent certificate from the related registry and invalidity of the same. The law-suits are still pending and at the stage of expert evaluation. The Company does not believe that this litigation will have a material adverse effect on the results of operation or financial condition of the Company.
- i) Vestel CIS Limited's property, plant and equipment used for television production, part of finished goods, components and raw materials were fully destroyed by fire on 14 November 2005. In addition, construction in progress also suffered fire damage. Vestel CIS Limited is negotiating insurance claims in the amount of YTL 41.341 (USD 30.810 thousand) with respect to a fire that destroyed certain Company properties, and the resulting business interruption the outcome of which is not known as of the date of these financial statements.
- j) Company is negotiating with relevant tax authorities a VAT reclaim on the destroyed properties in the amount of YTL 5.967 (USD 4 477 thousand), the outcome of which is uncertain due to relevant Russian tax legislation. No provision for any loss relating to this insurance claim and VAT reclaim has been made in the financial statements.
- k) Total obligation of the Company related to operational lease agreements is amounted to YTL 2.559 (31.12.2004: 5.624 YTL).

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20. OTHER INCOME / (EXPENSE), net

	01.01- 31.12.2005	01.01- 31.12.2004
Scrap and other sales	14.434	12.043
Export commission and freight related income	7.428	6.528
Insurance claims refund	776	687
Profit on sale of fixed assets	635	1.608
Idle capacity expenses	(7.170)	--
Reversal of unnecessary provision	11.652	--
Miscellaneous income	4.250	4.629
Loss on sale of fixed assets	(6.717)	(18.447)
Miscellaneous expense	(3.023)	(1.824)
	22.265	5.224

21. FINANCIAL INCOME / (EXPENSE), net

Foreign exchange gain / (loss) on imports, borrowings exports and other receivables	39.360	(33.181)
Interest expense	(55.970)	(62.317)
Letters of credit expenses	(32.075)	(16.860)
Finance lease interest expenses	(768)	(1.160)
Factoring expenses	(3.411)	(2.529)
Interest income from demand deposits	75.445	119.387
Fair value gain / (loss) on forward contracts	(36.308)	(62.731)
Bank commissions and other financial expenses	(22.358)	(14.666)
	(36.085)	(74.057)

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22. SUPPLEMENTARY CASH FLOW INFORMATION

	01.01- 31.12.2005	01.01- 31.12.2004
Depreciation and Amortization:		
Cost of sales	97.868	86.395
Selling expenses and general and administrative expenses	21.354	22.937
	119.222	109.332
Changes in operating assets and liabilities:		
Trade receivables	(319.388)	(108.817)
Inventories	(116.377)	(269.794)
Due from related parties	40.056	12.787
Prepayments and other current assets	(14.998)	47.270
Trade payables	430.684	290.168
Other payables and current liabilities	(30.555)	23.578
	(10.578)	(4.808)
Changes in other non-current assets and liabilities:		
Trade receivables	(2.652)	14.957
Other assets	(31.728)	(73)
	(34.380)	14.884

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23. RELATED PARTY DISCLOSURE

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 transactions with related parties on commercial terms.

The most significant of these transactions carried out with related parties:

Related party	Due from related parties		Due to related parties	
	Trade receivables	Other assets	Trade payables	Other liabilities
31.12.2005				
Vestel Elektronika SA	--	117	--	--
Zorpet Petrogaz, Petrol, Gaz ve Petrokimya A.Ş.	159	--	69	--
Vestel USA Inc.	469	--	--	--
L-3 Communications Investments	--	--	1.013	--
Other related parties	19	108	190	--
	647	225	1.272	--
31.12.2004				
Vestelnet Elektronik İletişim A.Ş.	--	40.162	6	--
Zorlu Holding A.Ş.	--	--	2.705	--
Korteks Mensucat Sanayi A.Ş.	78	--	120	--
Vestel USA Inc.	400	15	--	--
Zorlu Linen Dokuma A.Ş.	946	--	--	--
Other related parties	258	104	7	--
	1.682	40.281	2.838	--

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24. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise bank loans, overdrafts, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk and credit risk. The management reviews and agrees policies for managing each of these risks and they are summarized below.

Foreign exchange risk – The Group operates internationally and matches its foreign currency commitments primarily from its foreign currency trade receivables. Foreign currency position of the Group as of 31 December 2005 is shown below:

	USD (‘000)	EURO (‘000)	GBP (‘000)	YTL Equivalent
Cash and cash equivalents	48.832	103.508	179	230.238
Trade receivables	249.875	378.138	1.120	938.058
Inventories	174.305	123.640	217	430.642
Other receivables	45.766	8.038	629	75.564
Assets	518.778	613.324	2.145	1.674.502
Borrowings	279.372	202.597	--	696.483
Trade payables	916.939	450.592	979	1.947.833
Advance received	8.439	3.272	47	16.622
Other liabilities	15.101	--	--	20.263
Liabilities	1.219.851	656.461	1.026	2.681.201
Net foreign currency position	(701.073)	(43.137)	1.119	(1.006.699)

Interest rate risk – The Group's operating income and operating cash flows are substantially independent from changes in market interest rates. The Group borrows short term at variable interest rates and borrows long term are at fixed interest rates.

Credit risk - The Group's credit risk is primarily attributable to its trade receivables which are insured by Turkish Eximbank and export credit agencies. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and the current economic environment.

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Liquidity risk - The Group raises funds by liquidating its short term financial instruments, eg by collecting receivables and disposing of marketable securities. The Group's proceeds from these instruments generally approximate their fair values.

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.

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25. SEGMENT INFORMATION

The Group is currently organised 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). :Produced by Vestel Trade-CIS (Vladimir Region/Russia)
Electronic devices	:Produced by Vestel Komunikasyon Sanayi ve Ticaret A.Ş. (Izmir/Turkey). Produced by Vestel Dijital Üretim Sanayi A.S. (Manisa/Turkey).
White Goods	:Produced by Vestel Beyaz Esya Sanayi ve Ticaret A.Ş.(Manisa/Turkey). Produced by Vestel Trade-CIS (Vladimir Region/Russia)

Segment information about these businesses is presented below:

25.1 The composition of sales volume and amount by principal product groups can be summarised as follows:

	01.01- 31.12.2005		01.01- 31.12.2004	
	Sales Amount	Sales volume	Sales amount	Sales volume
Television	2.797.912	10.868.211	3.018.137	10.144.162
- Domestic	499.189	1.338.265	333.521	879.050
- Export	443.839	1.779.806	631.733	1.905.020
- Foreign marketing companies	1.854.884	7.750.140	2.052.883	7.360.092
Monitor	24.125	267.749	11.713	74.829
- Domestic	12.737	96.986	11.686	74.779
- Export	14	26	27	50
- Foreign marketing companies	11.374	170.737	--	--
Electronic Devices	545.342	7.314.755	677.700	8.131.372
- Domestic	148.371	1.028.466	107.778	687.778
- Export	54.848	995.718	114.929	1.182.406
- Foreign marketing companies	342.123	5.290.571	454.993	6.261.188
White goods (2004: White goods and other)	902.191	3.203.442	897.353	--
- Domestic	398.113	832.743	510.395	--
- Export	182.787	938.669	192.025	--
- Foreign marketing companies	321.291	1.432.030	194.933	--
Other	186.659	--	--	--
- Domestic	186.659	--	--	--
	4.456.229		4.604.903	

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25.2 The breakdown of television exports by country is as follows:

	01.01- 31.12.2005		01.01-31.12.2004	
	Sales Amount	Sales volume	Sales amount	Sales volume
Germany	548.197	2.164.831	646.259	2.101.778
United Kingdom	464.591	1.823.995	362.787	1.172.586
France	262.351	1.052.771	260.304	857.220
Denmark	37.404	162.918	31.466	105.614
Portugal	34.607	149.830	45.811	151.815
Netherlands	79.322	322.832	96.103	314.500
Spain	217.339	874.363	315.345	1.051.701
Italy	216.894	883.110	261.726	878.473
Russia	140.491	564.926	189.768	628.886
Others	297.527	1.530.370	475.047	2.002.539
	2.298.723	9.529.946	2.684.616	9.265.112

25.3 The summary of contribution to gross profit and gross margin is as follows:

	01.01- 31.12.2005		01.01-31.12.2004	
	Gross profit		Gross profit	
	Amount	%	Amount	%
<i>Domestic</i>				
Televisions	106.594	21	80.976	24
Monitors	1.437	11	1.311	11
Electronic Devices	24.392	16	21.687	20
White goods	74.162	19	91.263	18
Others	28.955	14	--	--
Domestic total	235.540	19	195.237	20
<i>Export</i>				
Televisions	287.480	13	386.301	14
Monitors	1.157	10	--	--
Electronic Devices	41.656	10	85.936	15
White goods	92.281	18	83.063	21
Export total	422.574	13	555.300	15
Total	658.114	15	750.537	16

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25.4 The summary of segment assets and liabilities are summarised as follows:

Television and Monitor	31.12.2005	31.12.2004
Trade receivables	1.121.299	805.113
Inventories	709.301	630.807
Property, plant and equipment, net	564.546	536.281
Intangible assets, net	89.352	85.574
Trade payables	1.599.660	1.190.382
Electronic Devices		
Trade receivables	70.435	62.230
Inventories	176.028	164.684
Property, plant and equipment, net	80.965	77.787
Intangible assets, net	39.714	39.938
Trade payables	239.482	216.057
White goods		
Trade receivables	156.899	157.032
Inventories	122.127	89.229
Property, plant and equipment, net	325.392	243.322
Intangible assets, net	2.837	3.161
Trade payables	196.564	189.976
Other goods and services		
Trade receivables	19.215	25.358
Inventories	22.550	28.909
Property, plant and equipment, net	3.130	2.666
Intangible assets, net	6.573	9.684
Trade payables	28.886	37.493

At 31 December 2005, 92 % (2004: 92%) of property, plant and equipment and 84 % (2004: 78%) of inventories are located in Turkey. The rest balances are located at overseas subsidiaries in Europe of which less than 3% (2004: less than 4%) are located in Russia.

At 31 December 2005, 66% of trade receivables were from European countries (2004: 67%), 31% from Turkish domestic market (2004: 30%) and the remaining 3% from the rest of the world (2003: 5% and 2002: 4%).

At 31 December 2005, 53% of trade payables were to European countries (2004: 51%) and 22% to Turkish suppliers (2004: 26%) and the remaining 25% to the rest of the world (2004: 23%).

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26. MONETARY LOSS

In a period of inflation, an enterprise holding an excess of monetary assets over monetary liabilities loses purchasing power and an enterprise with an excess of monetary liabilities over monetary assets gains purchasing power to the extent that the assets and liabilities are not linked to a fixed price level. This gain or loss is derived by applying the change in a general price index to the weighted average for the period of the difference between monetary assets and monetary liabilities.

	31.12.2005	31.12.2004
Opening Working Capital (Working 1)	(70.747)	233.793
Cash movements during the year		
Fixed assets expenditure	(233.751)	(239.491)
Non-current assets and liabilities	(17.691)	2.952
Sales	4.456.229	4.604.903
Purchases (Working 3)	(3.816.624)	(4.037.765)
Operating expenses	(496.570)	(458.153)
Financing expenses	(36.085)	(74.057)
Other income	22.265	5.224
Taxation charge	(54.699)	(43.464)
Minority Interest	(30.168)	(45.979)
Net Cash Inflow	(207.094)	(285.830)
Closing Working Capital per above	(277.841)	(52.037)
Closing Working Capital (working 2)	(287.137)	(70.747)
Monetary Loss	(9.296)	(18.710)

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Working 1: Opening Working Capital	31.12.2005	31.12.2004
Cash and cash equivalents	623.077	541.491
Marketable securities	--	49.624
Trade receivables	1.049.733	944.209
Other current assets	221.449	281.508
	1.894.259	1.816.832
Current borrowings	(156.792)	(109.899)
Trade payables	(1.633.908)	(1.343.095)
Other current liabilities	(159.840)	(119.849)
Taxation on income	(14.466)	(10.196)
	(1.965.006)	(1.583.039)
Working capital surplus / (deficit)	(70.747)	233.793
Working 2: Closing Working Capital		
Cash and cash equivalents	581.086	623.077
Marketable securities	--	--
Trade receivables	1.367.848	1.049.733
Other current assets	196.391	221.449
	2.145.325	1.894.259
Current borrowings	(171.934)	(156.792)
Trade payables	(2.064.592)	(1.633.908)
Other liabilities	(183.906)	(159.840)
Taxation on income	(12.030)	(14.466)
	(2.432.462)	(1.965.006)
Working capital surplus	(287.137)	(70.747)
Working 3: Purchases		
Closing inventories	1.030.006	913.629
Cost of sales	3.700.247	3.767.971
Opening inventories	(913.629)	(643.835)
	3.816.624	4.037.765

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş. GROUP OF COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 AND 2004

(Currency shown in thousands of New Turkish Lira in equivalent purchasing power at 31.12.2005 unless otherwise indicated.)

27. POST BALANCE SHEET EVENTS

a) On 3 January 2006, the Group obtained various loans from Denizbank A.Ş. amounting to USD 11.550.000. Interest rate is 4, 25% and the loan matures in stages between November 2006 and March 2007.

b) On 10 February 2006, Vestel Group obtained a syndicated letter of credit facility from a foreign financial institution amounted to USD 120.000.000. The maturity of this facility is one year. The agreement is signed by Vestel Elektronik Sanayi ve Ticaret A.Ş., Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş., Vestel Dijital Üretim Sanayi A.Ş., Vestel Komünikasyon Sanayi ve Ticaret A.Ş. and Vestel Holland B.V.. These companies were borrowers and guarantors to this facility.

c) An application has been submitted to the Capital Market Board for a public offering of shares of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. According to the explanation given by the Company's management, the Company intends to buy the shares of other shareholders' (Zorlu Holding and Zorlu Family) of Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş. at the price that will be formed after the public offering; work on this respect has been in progress.

28. TRANSLATED FINANCIAL STATEMENTS

For the convenience of the reader, the financial statements have been translated from New Turkish Lira to EURO with the Central Bank buying exchange rate at period-end (Note 3).

VESTEL ELEKTRONİK GROUP OF COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
BALANCE SHEETS AT 31 DECEMBER 2005 AND 2004
(Currency : Thousands of EUROS)

	31.12.2005	31.12.2004
Current Assets		
Cash and cash equivalents	366.038	392.489
Trade receivables, net	861.637	661.249
Due from group companies	142	25.374
Inventories	648.823	575.514
Other assets	123.569	114.122
Total Current Assets	2.000.209	1.768.748
Non-current Assets		
Trade receivables	8.237	6.567
Investments	1.933	3.065
Property, plant and equipment, net	613.564	541.768
Intangible assets, net	87.229	87.154
Other assets	19.986	--
Deferred tax asset	34.665	21.992
Total Non-current Assets	765.614	660.546
Total Assets	2.765.823	2.429.294
Current Liabilities		
Borrowings	108.305	98.767
Trade payables	1.300.530	1.029.233
Taxation on income	7.578	9.112
Other liabilities	115.846	100.687
Total Current Liabilities	1.532.259	1.237.799
Non-current Liabilities		
Borrowings	331.085	320.652
Reserve for retirement pay	11.626	16.379
Deferred tax liability	72.915	110.239
Total Non-current Liabilities	415.626	447.270
Equity and Reserves		
Ordinary shares	363.378	363.378
Minority interest	101.059	69.746
General reserve	301.000	256.337
Net income for the year	52.501	54.764
Total Equity and Reserves	817.938	744.225
Total Liabilities and Equity	2.765.823	2.429.294

VESTEL ELEKTRONİK GROUP OF COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 AND 2004
(Currency : Thousands of EUROS)

	01.01- 31.12.2005	01.01- 31.12.2004
Net sales	2.807.073	2.900.726
Cost of Sales	(2.392.513)	(2.427.947)
Gross Profit	414.560	472.779
Selling expenses	(212.764)	(200.439)
General and administrative expenses	(89.223)	(86.985)
Warranty expenses	(19.510)	(19.104)
Other income / (expense), net	14.025	3.291
Income From Operations	107.088	169.542
Financing income / (expense), net	(22.731)	(46.650)
Income Before Taxation	84.357	122.892
Taxation charge		
Current	(34.456)	(25.849)
Deferred	27.460	(1.529)
Taxation on income	(6.996)	(27.378)
Income Before Minority Interest	77.361	95.514
Minority interest	(19.003)	(28.963)
Monetary loss	(5.857)	(11.787)
Net Income For The Year	52.501	54.764