

**VESTEL ELEKTRONIK SANAYI VE
TİCARET ANONİM ŞİRKETİ
CONSOLIDATED
FINANCIAL STATEMENTS AT
30 JUNE 2008
TOGETHER WITH AUDITOR'S REPORT**

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Vestel Elektronik Sanayi ve Ticaret A.S.. and its subsidiaries listed under note 1 (the "Group"), which comprise the consolidated balance sheet as at 30 June 2008, and the consolidated statements of income, changes in equity and cash flow for the six month period then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Conclusion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 30 June 2008, and of its consolidated financial performance and its consolidated cash flows for the six month period 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

İstanbul, 29.08.2008

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
CONSOLIDATED BALANCE SHEETS
AT 30.06.2008 AND 31.12.2007

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

	Note	30.06.2008	31.12.2007
ASSETS			
Current assets			
Cash and cash equivalents	5	574.354	512.130
Financial assets Held-to-maturity	9	63.674	--
Trade receivables	6	1.008.141	1.134.997
Inventories	7	988.296	1.091.379
Other assets	8	183.801	203.431
Total current assets		2.818.266	2.941.937
Non-current assets			
Trade receivables		6.930	6.441
Financial assets Available-for-sale	9	1.856	1.713
Property, plant and equipment	10	1.013.185	1.023.279
Intangible assets	11	318.924	301.844
Other assets	8	21.325	19.446
Deferred tax asset	16	46.673	42.304
Total non-current assets		1.408.893	1.395.027
TOTAL ASSETS		4.227.159	4.336.964

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

VESTEL ELEKTRONIK SANAYI VE TICARET A.S.
CONSOLIDATED BALANCE SHEETS
AT 30.06.2008 AND 31.12.2007

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

	Note	30.06.2008	31.12.2007
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	12	316.086	236.948
Trade payables	13	2.007.917	2.062.835
Taxation on income	16	9.524	11.642
Provisions	14	66.973	58.474
Other liabilities	15	100.588	109.433
Total current liabilities		2.501.088	2.479.332
Non-current liabilities			
Borrowings	12	379.618	425.417
Reserve for retirement pay	17	20.928	19.208
Provisions	14	13.534	11.700
Other liabilities		212	112
Deferred tax liability	16	56.078	56.841
Total non-current liabilities		470.370	513.278
Equity			
Share capital	18	576.862	576.862
Translation reserve		24.270	23.724
Minority interest		136.874	142.788
General reserves	19	517.695	600.980
Total equity		1.255.701	1.344.354
Commitments and contingencies	20		
TOTAL LIABILITIES AND EQUITY		4.227.159	4.336.964

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

VESTEL ELEKTRONIK SANAYI VE TICARET A.S.
CONSOLIDATED INCOME STATEMENTS
FOR THE SIX MONTH PERIODS ENDED 30.06.2008 AND 2007

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

	Note	01.01.- 30.06.2008	01.01.- 30.06.2007
Net sales		2.121.432	2.105.153
Cost of sales		(1.705.444)	(1.877.048)
Gross profit		415.988	228.105
Warranty expenses		(21.920)	(18.863)
Selling expenses		(196.191)	(183.146)
General and administrative expenses		(98.316)	(99.410)
Other income	22	23.871	24.212
Other expense	22	(12.075)	(20.031)
Operating profit (loss)		111.357	(69.133)
Financing income	23	488.346	339.641
Financing expense	23	(665.366)	(279.609)
Loss before taxation		(65.663)	(9.101)
Taxation charge			
Current		(13.535)	(18.046)
Deferred		4.340	(633)
Taxation on income	16	(9.195)	(18.679)
Net loss for the period		(74.858)	(27.780)
Net loss attributable to:			
Equity holders of the Company		(83.430)	(39.235)
Minority interest		8.572	11.455
		(74.858)	(27.780)
Basic and fully diluted earnings per share (Ykr)		(0,05)	(0,02)

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

VESTEL ELEKTRONIK SANAYI VE TICARET A.S.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIODS ENDED 30.06.2008 AND 2007

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

	Share capital	Translation reserve	General reserves	Minority interest	Total equity
Balance at 01.01.2007	576.862	29.782	585.286	130.253	1.322.183
Translation differences	--	(4.750)	--	312	(4.438)
Change in minority interest	--	--	914	(914)	--
Consolidated subsidiaries	--	--	(117)	50	(67)
Dividends paid	--	--	--	(8.412)	(8.412)
Net loss for the period	--	--	(39.235)	11.455	(27.780)
Balance at 30.06.2007	576.862	25.032	546.848	132.744	1.281.486
Balance at 01.01.2008	576.862	23.724	600.980	142.788	1.344.354
Translation differences	--	546	--	(247)	299
Change in minority interest	--	--	--	(144)	(144)
Change in investments	--	--	145	--	145
Dividends paid	--	--	--	(14.095)	(14.095)
Net loss for the period	--	--	(83.430)	8.572	(74.858)
Balance at 30.06.2008	576.862	24.270	517.695	136.874	1.255.701

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

VESTEL ELEKTRONIK SANAYI VE TICARET A.S.
CONSOLIDATED CASH FLOW STATEMENTS
FOR THE SIX MONTH PERIODS ENDED 30.06.2008 AND 2007

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

	Note	01.01.- 30.06.2008	01.01.- 30.06.2007
Loss before taxation		(65.663)	(9.101)
Adjustment to reconcile loss before taxation to net cash provided from operating activities:	24	151.717	120.695
Operating profit before changes in working capital		86.054	111.594
Changes in operating assets and liabilities	24	149.052	55.429
Taxes paid		(15.653)	(20.650)
Net cash provided by operating activities		219.453	146.373
Cash flows from investing activities			
Acquisition of investments		--	17
Change in held to maturity investments		(63.674)	--
Purchases of property, plant and equipment		(56.731)	(100.230)
Purchases of intangible assets		(28.047)	(1.715)
Proceeds from sale of investments		--	67
Proceeds from sale of tangible and intangible assets		1.433	2.538
Net cash used in investing activities		(147.019)	(99.323)
Cash flows from financing activities			
Changes in current borrowings		54.840	(191.330)
Changes in non-current borrowings		(45.799)	57.551
Interest received		18.785	14.891
Interest paid		(24.636)	(30.705)
Dividends paid		(14.095)	(8.412)
Net cash used in financing activities		(10.905)	(158.005)
Translation differences		(12.370)	6.047
Net decrease in cash and cash equivalents		49.159	(104.908)
Cash and cash equivalents at beginning of year		512.130	584.684
Cash and cash equivalents at end of period		561.289	479.776

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

**VESTEL ELEKTRONIK SANAYI VE TICARET A.S..
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30.06.2008**

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

1. ORGANISATION AND NATURE OF ACTIVITIES

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

The registered office address of the Company is located at Ambarli, Petrol Ofisi Dolum Tesisleri Yolu, Zorlu Plaza, Avcilar / 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.S..

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 14.000.000 (2007: 19.000.000) units per year respectively.

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

Vestel Beyaz Esvya Sanayi ve Ticaret A.S.. (“Vestel White”)

Vestel White started working actively in 1999 and has been engaged in the production of refrigerators, room air conditioning units, washing machines and cookers. Vestel White’s production facilities are located in Manisa Organized industrial site (Aegean Region, Turkey). As of the balance sheet date, production capacity for refrigerators, room air conditioning units, washing machines, cooker and dishwasher unit was 3.700.000, 600.000, 2.700.000, 1.250.000 and 500.000 (2007: 3.000.000, 700.000, 2.000.000, 1.500.000 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.

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30.06.2008

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

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 5.999.860 (2007: 6.900.000) 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, computer and panel was 5.260.140 (2007: 5.260.140) units per year.

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

Consolidated company	Location	Field of activity	Shareholding (%)	
			2008	2007
Vestel Beyaz ESya Sanayi ve Ticaret A.Ş.	Turkey	Manufacturing	72,6	72,6
Vestel Komünikasyon Sanayi ve Ticaret A.Ş.	Turkey	Manufacturing	99,3	99,3
Vestel CIS Ltd.	Russia	Manufacturing	100,0	100,0
Vestel Dijital Üretim Sanayi A.Ş.	Turkey	Manufacturing	99,3	99,3
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	90,9
Cabot İzmir Donanım Sanayi ve Ticaret A.Ş.	Turkey	Software	52,7	52,7
Aydın Yazılım Elektronik ve Sanayi A.Ş.	Turkey	Software	18,0	18,0
Veseg Video Handelsgesellschaft GmbH	Germany	Marketing	99,7	99,7
Vestel France SA	France	Marketing	99,5	99,5
Vestel Iberia SL	Spain	Marketing	99,7	99,7
Vestel Dış Ticaret A.Ş.	Turkey	Marketing	99,7	99,7
Vestel Benelux BV	Netherlands	Marketing	50,8	50,8
Vestel UK Ltd.	England	Marketing	99,7	99,7
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	Turkey	Marketing	100,0	100,0
Vestel Italy SRL	Italy	Marketing	50,8	50,8
Vestel Holland BV	Netherlands	Marketing	99,7	99,7
Electronics Outlet SRL	Italy	Marketing	50,8	50,8
Vestek Elektronik Araştırma Geliştirme A.Ş.	Turkey	Marketing	94,0	94,0
Vestel Trade Ltd.	Russia	Marketing	100,0	100,0
Birim Bilgi İşlem ve Müşavirlik Ticaret A.Ş.	Turkey	Software	45,0	45,0
OY Vestel Scandinavia AB	Finland	Marketing	99,7	99,7
Deksarnet Telekomünikasyon A.Ş.	Turkey	Information	99,9	99,9
Intertechnika LLC	Russia	Operational leasing	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.

**VESTEL ELEKTRONIK SANAYI VE TICARET A.S.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30.06.2008**

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

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, receivables, interest expense accruals on bank loans.

Measurement currency and reporting currency

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

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

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

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

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

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

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

VESTEL ELEKTRONIK SANAYI VE TICARET A.S.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30.06.2008

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

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

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

	30.06.2008	31.12.2007
US Dollar	1,2237	1,1647
EURO	1,9271	1,7102

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.

VESTEL ELEKTRONIK SANAYI VE TICARET A.S.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30.06.2008

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

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.

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in income.

Leases

Finance lease - Assets held under finance leases are recognized as assets of the Company at their fair value at the date of acquisition. The corresponding liability to the Company is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30.06.2008

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

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

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

Research and development costs – Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets to the extent that the expenditure is expected to generate future economic benefits. Development costs that have been capitalized are amortized on straight line basis over 5 years which is the estimated period over which technology is expected to lead the market and have commercial value. The carrying values of capitalized research and development expenditure are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

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

Financial assets

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

- available-for-sale financial assets
- held-to-maturity 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

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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.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of the Group's management to hold them until maturity. The Group currently holds time deposits that fall into this category.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognized in profit or loss.

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.

Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. For the purpose of these financial statements shareholders are referred to as related parties. Related parties also include individuals that are principle owners, management and members of the Company's Board of Directors and their families. In the course of conducting its business, the Company conducted various business transaction with related parties on commercial terms (see note 24).

Bank borrowings

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

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

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performance is not very likely. Accordingly, contingent losses are recognized in the financial statements if a reasonable estimate of the amount of the resulting loss can be made. Contingent gains are reflected only if it is virtually certain that the gain will be realized.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known. Estimation have been used mainly for provision for possible losses due to lawsuits, warranty provision, provision for retirement pay, doubtful receivables and deferred tax assets. Estimations have been made on basis previous experience and other appropriate data supplied by the management.

Revenue recognition

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

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

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

Rental income – on an accrual basis.

Interest income – on an effective yield basis.

Income taxes

Tax expense (income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences.

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.

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Provisions

Employee 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.

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

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

Earnings per share

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

Cash and cash equivalents

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

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4. EARNINGS PER SHARE

	01.01.- 30.06.2008	01.01.- 30.06.2007
Net profit attributable to shareholders	(74.858)	(27.780)
Weighted average number of ordinary shares in issue('000)	15.909.989	15.909.989
Basic and diluted earnings per share (YKr)	(0,05)	(0,02)

5. CASH AND CASH EQUIVALENTS

	30.06.2008	31.12.2007
Cash at bank and in hand	155.570	175.972
Time deposits	415.079	320.385
Other	3.705	15.773
Cash and cash equivalents	574.354	512.130
Bank overdrafts (-)	(13.065)	--
Cash and cash equivalents presented in cash flow statement	561.289	512.130

The maturity of time deposits vary between 01 July and 30 July 2008; the interest rate varied between 2,14% and 5,5 % per year for foreign currency and between 15% and 19,5% per year for New Turkish Lira (31.12.2007: was between 2% and 5,6 % per year for foreign currency and between 14,9% and 18,3% per year for New Turkish Lira).

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6. TRADE RECEIVABLES

	30.06.2008	31.12.2007
Current		
Current accounts		
- Third parties	745.891	858.055
- Related parties, note 25	13.544	15.799
Notes receivable		
- Third parties	285.113	296.505
Other	10.965	4.364
	1.055.513	1.174.723
Unearned interest on receivables (-)	(24.277)	(19.058)
Allowance for doubtful receivables (-)	(23.095)	(20.668)
	1.008.141	1.134.997

The movement of doubtful receivables is given below:

	01.01.- 30.06.2008	01.01.- 30.06.2007
Beginning balance	20.668	13.739
Charge for the period	2.433	--
Amounts utilized during the period	(6)	(2.343)
Ending balance	23.095	11.396

7. INVENTORIES

Raw materials	530.419	585.278
Work in process	41.141	45.793
Finished goods and merchandise	429.281	468.968
Spares and supplies	9.648	11.634
	1.010.489	1.111.673
Provision for diminution in value	(22.193)	(20.294)
	988.296	1.091.379

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8. OTHER ASSETS

	30.06.2008	31.12.2007
Current		
Prepaid expenses	26.300	23.518
Income accruals	2.064	1.004
VAT receivable	78.638	115.289
Work advances	8.257	2.636
Due from personnel	542	523
Due from related parties, note 25	1.955	2.079
Project expenses	45.410	44.554
Receivables from insurance company	--	2.912
Prepaid taxes	5.186	2.444
Other	15.449	8.472
	183.801	203.431
Non-current		
Prepaid expenses	16.624	19.446
Other	4.701	--
	21.325	19.446

The property, plant and equipment related to TV division and a part of white good production division, a part of stocks of finished goods, components and raw materials of Vestel CIS Ltd. (Russia), a 100% subsidiary of the Company were destroyed as a result of fire on 14 November 2005. During 2007, the insurance companies agreed to pay a sum of USD 28.000 thousand (YTL 34.263 thousand) with respect to assets affected by the said fire and the resulting business interruption. As of 31 December 2007 the remaining balance receivable from the above mentioned insurance claims by Vestel CIS amounted YTL 2.912 which was duly collected during January-April 2008.

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9. FINANCIAL ASSETS

		30.06.2008	31.12.2007		
Financial assets- Held-to-maturity					
Investment securities held to maturity					
-USD		63.674	--		
Financial assets- Available-for-sale					
Unconsolidated investments		35	35		
Other investments		1.821	1.678		
		1.856	1.713		
		Share %	Amount		
Entity	Country	30.06.2008	31.12.2007	30.06.2008	31.12.2007
Unconsolidated investments					
Vestpro Electronics SA	Romania	52%	52%	301	301
Vestel USA Inc.	USA	100%	100%	233	233
Vestel Elektronika S.R.L	Romania	100%	100%	19	19
Vestel India	India	100%	100%	10	10
Uts-United Technical Services, S.R.O	Romania	60%	60%	6	6
				569	569
Allowance for diminution in value (-)					
Vestpro Electronics SA				(301)	(301)
Vestel USA Inc.				(233)	(233)
				35	35
Other investments					
Zorlu Enerji Elektrik Üretim A.S.	Turkey	Less than 1%	Less than 1%	1.746	1.603
Tursoft A.S.	Turkey	7%	7%	13	13
Zorlu Endüstriyel Enerji A.S.	Turkey	1%	1%	50	50
İzmir Teknoloji Geliştirme A.S.	Turkey	5%	5%	12	12
				1.821	1.678

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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10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Cost						
Balance at 01.01.2008	285.938	1.451.051	6.123	139.363	32.644	1.915.119
Additions	5.310	19.456	91	9.699	22.175	56.731
Disposals	(43)	(14.629)	(690)	(469)	--	(15.831)
Translation difference	5.094	4.850	241	873	1.411	12.469
Transfers	10.771	11.624	300	1.336	(24.159)	(128)
Balance at 30.06.2008	307.070	1.472.352	6.065	150.802	32.071	1.968.360
Accumulated depreciation						
Balance at 01.01.2008	39.720	767.421	3.131	81.568	--	891.840
Additions	3.920	64.498	466	7.728	--	76.612
Disposals	(47)	(13.591)	(544)	(393)	--	(14.575)
Translation difference	207	728	96	267	--	1.298
Balance at 30.06.2008	43.800	819.056	3.149	89.170	--	955.175
Net book value as of						
30.06.2008	263.270	653.296	2.916	61.632	32.071	1.013.185

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	Land and buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Cost						
Balance at 01.01.2007	256.390	1.344.013	5.722	114.903	54.341	1.775.369
Additions	1.676	19.323	744	12.625	65.862	100.230
Disposals	--	(4.735)	(264)	(1.794)	--	(6.793)
Translation differences	(2.176)	(2.040)	(88)	(182)	(1.156)	(5.642)
Transfers	11.356	41.741	--	550	(53.647)	--
Balance at 30.06.2007	267.246	1.398.302	6.114	126.102	65.400	1.863.164
Accumulated depreciation						
Balance at 01.01.2007	32.965	650.476	2.309	68.018	--	753.768
Additions	3.321	56.679	582	9.201	--	69.783
Disposals	--	(3.416)	(108)	(1.315)	--	(4.839)
Translation differences	(61)	(357)	(37)	(74)	--	(529)
Balance at 30.06.2007	36.225	703.382	2.746	75.830	--	818.183
Net book value as of						
30.06.2007	231.021	694.920	3.368	50.272	65.400	1.044.981

Leased assets included in the table above comprise plant and machinery amounting to YTL 22.336 (31.12.2007: YTL 24.986) 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.

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11. INTANGIBLE ASSETS

	Goodwill	Development cost	Other intangible assets	Total
Cost				
Balance at 01.01.2008	202.866	75.546	180.311	458.723
Additions	--	26.180	1.867	28.047
Translation differences	285	184	409	878
Transfers	--	--	128	128
Balance at 30.06.2008	203.151	101.910	182.715	487.776
Accumulated amortisation				
Balance at 01.01.2008	13.992	15.388	127.499	156.879
Additions	--	5.760	6.041	11.801
Translation differences	26	--	146	172
Balance at 30.06.2008	14.018	21.148	133.686	168.852
Net book value as of 30.06.2008	189.133	80.762	49.029	318.924
Cost				
Balance at 01.01.2007	202.896	32.001	174.538	409.435
Additions	--	--	1.715	1.715
Disposals	--	(871)	(87)	(958)
Acquisition of subsidiary	--	--	26	26
Translation differences	(340)	--	(357)	(697)
Balance at 30.06.2007	202.556	31.130	175.835	409.521
Accumulated amortisation				
Balance at 01.01.2007	14.095	13.355	114.472	141.922
Additions	--	763	6.355	7.118
Disposals	--	--	(3)	(3)
Translation differences	(41)	--	(34)	(75)
Balance at 30.06.2007	14.054	14.118	120.790	148.962
Net book value as of 30.06.2007	188.502	17.012	55.045	260.559

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

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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.S.. and Vestel Elektronik A.S.. Research and Development Department in Manisa continues development of Integrated Digital TV (DTV), Hybrid TV, Digital TV, TV-DVD, Large Digital TV and Large Flat Screen TV.

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

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

12. BORROWINGS

	Current		Non-current	
	Foreign Currency	YTL Equivalent	Foreign Currency	YTL Equivalent
30.06.2008				
New Turkish Lira bank loans		10.297		--
Foreign currency bank loans				
-USD ('000)	154.949	189.611	242.178	296.353
-EUR ('000)	60.263	116.133	43.148	83.151
Finance lease liabilities, net				
-USD ('000)	1	1	--	--
-EUR ('000)	23	44	59	114
		316.086		379.618
31.12.2007				
New Turkish Lira bank loans	--	3.439	--	--
Foreign currency bank loans				
-USD ('000)	112.890	131.482	287.708	335.093
-EUR ('000)	59.078	101.035	52.756	90.223
Finance lease liabilities, net				
-USD ('000)	610	710	--	--
-EUR ('000)	165	282	59	101
		236.948		425.417

The effective interest rates of foreign currency loans and New Turkish Lira loans vary between 3% and 8,3% (31.12.2007:3% and 13,4%), respectively.

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Summary maturity schedule of total borrowings is given below:

	30.06.2008	31.12.2007
Due in one year	316.086	236.948
One to two years	41.991	80.148
Two to three years	29.114	16.135
Three to four years	293.257	37.333
Four to five years	5.164	282.113
Over five years	10.092	9.688
	695.704	662.365

Letters of guarantee and notes amounting to YTL 28.675 (EUR 14.880 thousand) have been given as collateral for Turkish Eximbank and other credits (31.12.2007: YTL 27.568 (EUR 16.120 thousand)).

Payment schedule of finance lease liabilities is given below:

Finance lease liabilities - minimum lease payments:		
Payable with in one year	49	1.021
Payable later then one year and not later than four years	122	110
	171	1.131
Future finance charges on finance leases	(12)	(38)
Present value of finance lease liabilities	159	1.093
The present value of finance lease liabilities is as follows:		
Payable with in one year	45	992
Payable later then one year and not later than four years	114	101
	159	1.093

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13. TRADE PAYABLES

	30.06.2008	31.12.2007
Current		
Current accounts		
- Third parties	1.435.737	1.473.400
- Related parties, note 25	2.712	3.671
- Letters of credit	325.527	266.498
- Letters of credit discounted	235.253	248.374
Notes payable		
- Third parties	12.217	73.627
Other	35	1.024
	2.011.481	2.066.594
Unearned interest on payables (-)	(3.564)	(3.759)
	2.007.917	2.062.835

14. PROVISION FOR EXPENSES

Current		
Warranty provision	41.860	38.397
Expense accruals	25.113	20.077
	66.973	58.474
Non-current		
Warranty provision	13.534	11.700

The movement of provisions is as follows:

	Warranty expense	Expense accruals
Balance at, 01 January	50.097	20.077
Additions	27.217	25.113
Disposals	(21.920)	(20.077)
Balance at, 30 June	55.394	25.113

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15. OTHER LIABILITIES

	30.06.2008	31.12.2007
Income tax and social security payables	16.589	23.468
Advances received	21.401	27.724
Deferred project income	42.436	45.654
Due to personnel	8.359	8.576
Other	11.803	4.011
	100.588	109.433

16. TAXATION ON INCOME

In Turkey, the corporation tax rate on the profits for the calendar year 2008 is 20% (2007: 20%). Taxable profits are calculated by modifying accounting income for certain exclusions and allowances for tax purposes from the profit disclosed in the statutory income. No other taxes are paid unless profits are distributed.

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

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

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

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

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.

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The Turkish Tax Procedural Law does not include a procedure for formally agreeing tax assessments. Tax returns must be filed within three and half months of the year-end and may be subject to investigation, together with their underlying accounting records, by the tax authorities at any stage during the following five years.

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

Country	% of taxable profit
Germany	39,62
France	33,33
The Netherlands	22,00
UK	28,00
Spain	31,50
Italy	37,45
Russia	24,00

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

	01.01.- 30.06.2008	01.01.- 30.06.2007
Profit (loss) before tax	(65.663)	(9.101)
Corporation tax using applicable tax rates	13.535	18.046
Disallowable expenses	15.364	14.176
Income not subject to tax	(19.704)	(13.144)
Research and development allowances	--	(399)
Taxation on income	9.195	18.679

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

	30.06.2008	31.12.2007
Corporation and income taxes	13.535	39.008
Prepaid taxes (-)	(4.011)	(27.366)
	9.524	11.642
Deferred tax asset	(46.673)	(42.304)
Deferred tax liability	56.078	56.841
	18.929	26.179

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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	
	30.06.2008	31.12.2007	30.06.2008	31.12.2007
Deferred tax asset				
Warranty expense provision	50.138	43.953	10.028	8.791
Retirement pay provision	20.507	18.854	4.112	3.780
Unearned interest on receivables	24.896	19.237	4.979	3.847
Capitalized financing expenses written off on inventory and fixed assets	30.410	21.748	6.114	4.378
Provision for doubtful receivables	17.867	17.382	3.573	3.476
Accrued expenses	20.169	9.068	4.034	1.813
Taxable loss carried forward	36.352	36.155	7.725	7.760
Prepaid expenses	14.990	12.377	2.998	2.475
Other	14.336	26.354	3.110	5.984
			46.673	42.304
Deferred tax liability				
Temporary differences arising from restating non-monetary assets	262.734	269.219	52.646	53.931
Unearned interest on payables	11.016	8.584	2.203	1.717
Other	5.040	9.568	1.229	1.193
			56.078	56.841
Deferred tax liability, net			(9.405)	(14.537)
The movement of deferred tax liability is given below:				
			01.01.- 30.06.2008	01.01.- 30.06.2007
Balance at, 01 January			(14.537)	(21.500)
Deferred tax income (charge)			4.340	(633)
Translation difference			792	(9)
Balance at, 30 June			(9.405)	(22.142)

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17. PROVISION FOR RETIREMENT PAY

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

The amount of indemnity is the equivalent of one month’s salary for each year of service subject to a ceiling which is YTL 2.087,92 as of 2008 (31.12.2007: YTL 2.030,19) 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.

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

	01.01.- 30.06.2008	01.01.- 30.06.2007
Opening balance	19.208	21.447
Charge for the period	6.241	2.874
Disposals	(4.521)	(5.996)
Closing balance	20.928	18.325
Number of personnel employed at period end:	9.049	10.273
Personnel cost:		
Employee and sub-contracted personnel cost	181.079	184.226
Key personnel salaries and other short term benefits	6.619	6.148

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18. SHARE CAPITAL

The authorized share capital of the Company comprised 44.000.000.000 shares of par value YKr 1 each at 30.06.2008 (31.12.2007: 44.000.000.000 shares of par value YKr 1). The issued and paid up share capital of the Company comprised 15.909.988.696 shares of par value YKr 1 each at 30.06.2008 and 31.12.2007.

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

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

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

19. GENERAL RESERVES

General reserves comprise legal reserves and retained earnings.

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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20. COMMITMENTS AND CONTINGENCIES

- a)** At 30.06.2008 the Group had contingent liabilities of YTL 209.338 (31.12.2007: YTL 189.439) in respect of letters of guarantee obtained from local banks and submitted to various customs and state authorities for import and Turkish Eximbank credits.
- b)** Due to the export and investment incentive certificates obtained, the Group has committed to realize exports amounting to USD 193.419 thousand (31.12.2007: USD 233.025 thousand) as of the balance sheet date.
- c)** The payment of VAT on certain export sales may be postponed and later cancelled by the tax office subject to clearance of certain routine formalities in due course. Responsibility of the Group continues until such clearance however no liability has arisen in the past and no liability is reasonably expected for the future. The amount of postponed VAT at 31.12.2007 was YTL 195.196 (31.12.2007: YTL 214.034).
- d)** The Group signed a loan agreement with Vakıflar Bankası for USD 100 million as a facility for letters of credit which has not been utilized as no need has arisen in this respect. Group companies are guarantors to the agreement.
- e)** Included among the court cases started by the group are receivables totaling YTL 23.095 and tax claim of YTL 549 which have been provided for in full. In addition a provision of YTL 3.645 has been set aside in respect of court cases opened against the group.
- f)** A lawsuit has been initiated against the Group by a company engaged in the production of household appliances in respect of a patent certificate for a minor component used in refrigerators. The Group has initiated a counter lawsuit with a claim to cancel the patent certificate from the related registry and invalidity of the same. The lawsuits are still pending and at the stage of expert evaluation. No amount has been provided in respect of these lawsuits.
- g)** Vestel CIS Limited’s property, plant and equipment used for television production, part of finished goods, components and raw materials were destroyed by a fire on 14 November 2005. The situation related to the fire at Vestel CIS Ltd. (Russia) has been explained under note (8) above. The white goods factory of Vestel CIS was also damaged as a result of fire on 14 November 2005. Additionally, Vestel CIS Ltd is negotiating with relevant tax authorities a VAT reclaim on the destroyed properties. Pending the outcome of negotiations (and possible litigation) between Vestel CIS Ltd and tax authorities, it is not possible to determine the amount that will be recovered under these claims.
- h)** Total obligation of the Group related to operational lease agreements amounted to YTL 2.364 (31.12.2007: YTL 2.668) per year.
- i)** Vestel White, is the guarantor in favour of Vestel Elektronik Sanayi ve Ticaret A.S. for bank borrowings amounting to YTL 30.000 and USD 50.000.000.
- j)** Vestel White has given payment guarantee to various suppliers in favour of Vestel Holland B.V.
- k)** Group is the guarantor for a murabaha agreement obtained from HSBC Bank Plc centred in London (including HSBC Amanah Finance located in Dubai and HSBC Bank A.S. located in Istanbul) in favour of Vestel Dayanıklı Tüketim Malları Pazarlama A.S. (“ Vestel Pazarlama”) amounting to USD 80.000.000. As of 30.06.2008 Vestel Pazarlama used USD 60.000.000 in relation to this agreement.
- m)** Vestel White is the guarantor in favour of Vestel Dış Ticaret A.S. for bank borrowings obtained from Finansbank A.S. amounting to EUR 4.700.000.
- n)** Vestel White is the guarantor for the bank loans which have been borrowed by Vestel Elektronik Sanayi ve Ticaret A.S. from Türkiye Garanti Bankası A.S. amounting to YTL 13.000 and USD 60.000.000.

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21. NATURE OF EXPENSE

	01.01.- 30.06.2008	01.01.- 30.06.2007
Direct materials and merchandise expenses	1.409.363	1.659.810
Changes in semi-finished goods and finished goods	44.339	(11.176)
Employee and sub-contracted personnel cost	181.079	184.226
Depreciation and amortization	88.413	76.901
Sales commission expenses	41.783	39.714
Warranty, installation and service cost	61.920	44.390
Freight and freight insurance	46.918	47.045
Advertising expenses	15.020	22.858
Rent expenses	9.819	9.742
Office expenses	14.666	12.673
Energy expenses	9.625	9.048
Outsourcing expenses	5.934	6.802
Consulting expenses	5.819	8.162
Repair and maintenance expenses	3.861	3.069
Other expenses	83.312	65.203
	2.021.871	2.178.467

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22. OTHER INCOME AND EXPENSE

	01.01.- 30.06.2008	01.01.- 30.06.2007
Scrap sales	2.542	3.769
Export commission and freight related income	8.757	5.177
Profit on sale of fixed assets	652	548
Provisions	979	7.680
Grant income	2.007	3.632
Other	8.934	3.406
Other income	23.871	24.212
Idle capacity expenses	(1.604)	(5.228)
Loss on sale of fixed assets	(475)	(919)
Insurance expense	(339)	(6.303)
Other	(9.657)	(7.581)
Other expense	(12.075)	(20.031)
Other income, net	11.796	4.181

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

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23. FINANCING INCOME AND FINANCING EXPENSE

	01.01.- 30.06.2008	01.01.- 30.06.2007
Foreign exchange gain	449.173	281.469
Interest income from bank deposits	18.785	14.891
Unearned interest on payables	20.388	43.281
Financing income	488.346	339.641
Foreign exchange loss	(563.958)	(166.222)
Bank loans interest expense	(35.869)	(40.685)
Letters of credit expenses	(27.972)	(23.828)
Finance lease interest expense	(40)	(108)
Factoring expenses	(3.886)	(3.253)
Bank commission expenses	(3.640)	(3.700)
Unearned interest on receivables	(26.285)	(32.592)
Other financial expenses	(3.716)	(9.221)
Financing expense	(665.366)	(279.609)
Financing income (expense), net	(177.020)	60.032

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24. SUPPLEMENTARY CASH FLOW INFORMATION

	01.01.- 30.06.2008	01.01.- 30.06.2007
Adjustment to reconcile net income to net cash provided from operating activities:		
Depreciation of property, plant and equipment	76.612	69.783
Amortisation of intangible assets	11.801	7.118
Profit on sale of fixed assets	(652)	(548)
Loss on sale of fixed assets	475	919
Provision for retirement pay	6.241	2.874
Provision for doubtful receivables	2.433	(2.343)
Interest expense	35.869	40.685
Interest income	(18.785)	(14.891)
Warranty provision	5.297	5.222
Unearned interest on receivables	5.219	(2.219)
Unearned interest on payables	195	(5.335)
Provision for diminution in value of inventories	1.899	2.297
Provision for expense accruals	25.113	17.133
	151.717	120.695
Depreciation expense and amortization charge:		
Cost of sales	65.891	62.115
Selling expenses and general and administrative expenses	22.522	14.786
	88.413	76.901
Changes in operating assets and liabilities:		
Trade receivables	118.715	373.886
Inventories	101.184	21.322
Other assets	17.751	(11.403)
Trade payables	(55.113)	(330.223)
Other liabilities	(33.485)	1.847
	149.052	55.429

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25. RELATED PARTY DISCLOSURE

These comprised the following:

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

Related party	Trade receivables	Other assets	Trade payables
30.06.2008			
Zorpet Petrogaz, Petrol, Gaz ve Petrokimya A.S. *	--	--	293
Teds International **	--	447	--
L-3 Communications Investments **	79	--	1.190
Vestel Elektronica S.R.L.	9.412	346	--
UTS-United Technical Services, Spol.S.R.O	1.805	--	--
Other related parties	2.248	1.162	1.229
	13.544	1.955	2.712
31.12.2007			
Zorpet Petrogaz, Petrol, Gaz ve Petrokimya A.S.	5	--	343
Vestel USA Inc.	--	13	--
Teds International **	--	375	--
L-3 Communications Investments **	--	--	1.116
Due to shareholders	--	255	--
Vestel Elektronica S.R.L.	13.951	516	--
UTS-United Technical Services, Spol.S.R.O	215	141	--
Other related parties	1.628	779	2.212
	15.799	2.079	3.671

* Zorpet Petrogaz, Petrol, Gaz ve Petrokimya A.S. 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.

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

	01.01.- 30.06.2008	01.01.- 30.06.2007
Sales		
Zorpet Petrogaz, Petrol, Gaz ve Petrokimya A.S.	198	39
Vestel Elektronika S.R.L.	3.865	--
UTS- United Technical Services, Spol S.R.O.	4.625	--
L-3 Communications Investments	5.012	--
Other	390	427
	14.090	466
Operating expense		
Deniz Destek Oto Alım Satım Kiralama Temizlik Hizmetleri ve İnSaat A.S.	21	1.452
Other	801	430
	822	1.882

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

26. FINANCIAL INSTRUMENTS

Risk management objectives and policies

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result both from its operating and investing activities. The Group’s risk management is coordinated at its headquarters, in close co-operation with the board of directors, and focuses on actively securing the Group’s short to medium term cash flows by minimizing the exposure to financial markets. Long term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

Foreign currency risk

The majority of the Group’s transactions are carried out in Euros and US Dollars. Exposure to currency exchange rates arise from the Group’s overseas sales and purchases, trade receivables, bank loans and trade payables which are primarily denominated in US Dollars and Euros.

Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

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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	EUR	Other currencies YTL equivalent	YTL equivalent
30.06.2008				
Cash and cash equivalents	33.725	245.362	3.339	517.445
Financial assets Held-to-maturity	52.034	--	--	63.674
Trade receivables	114.170	203.229	779	532.131
Inventories	130.657	81.429	447	317.254
Other assets	5.148	6.061	68	18.048
Total foreign currency assets	335.734	536.081	4.633	1.448.552
Current borrowings	154.949	60.263	--	305.744
Non-current borrowings	242.178	43.148	--	379.504
Current lease payables	1	23	--	45
Non-current lease payables	--	59	--	114
Trade payables	1.148.644	250.815	5.866	1.894.807
Advance received	7.901	3.520	62	16.514
Other liabilities	30.133	6.134	35	48.730
Total foreign currency liabilities	1.583.806	363.962	5.963	2.645.458
Net foreign currency position	(1.248.072)	172.119	(1.330)	(1.196.906)

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	USD	EUR	Other currencies YTL equivalent	YTL equivalent
31.12.2007				
Cash and cash equivalents	184.430	139.343	8.025	461.135
Trade receivables	87.588	322.174	35.031	688.027
Inventories	117.695	106.475	44.408	363.581
Other receivables	4.106	8.565	11.054	30.484
Total foreign currency assets	393.819	576.557	98.518	1.543.227
Current borrowings	112.890	59.078	--	232.517
Non-current borrowings	287.708	52.756	--	425.316
Current lease payables	610	165	--	992
Non-current lease payables	--	59	--	101
Trade payables	1.167.375	342.765	22.314	1.968.152
Advance received	7.799	4.254	3.587	19.946
Other liabilities	31.755	5.069	--	45.654
Total foreign currency liabilities	1.608.137	464.146	25.901	2.692.678
Net foreign currency position	(1.214.318)	112.411	72.617	(1.149.451)

On basis of the above an increase of 1% in the foreign exchange rates against the Turkish Lira as of 30 June 2008 will amount to a loss of YTL 11.970 and a decrease will amount to profit of the same amount.

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 its strives to balance off the dates of changes in interest rates related to assets and liabilities.

An increase in the variable interest rates related to the borrowings as of 30 June 2008 is not expected to have any material effect on the financial results because the Management of the Group is able to maintain existing loans on the same terms as before or negotiate new loans on the same terms as existing ones.

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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:

	Current		Non-current		Total
	Within 6 months	6 to 12 months	1 to 5 years	Over 5 years	
30.06.2008					
Borrowings	127.868	188.218	369.526	10.092	695.704
Trade payables	1.604.848	403.069	--	--	2.007.917
Other liabilities	175.595	1.490	13.746	--	190.831
	1.908.311	592.777	383.272	10.092	2.894.452
31.12.2007					
Borrowings	106.626	130.322	415.729	9.688	662.365
Trade payables	1.510.911	551.924	--	--	2.062.835
Other liabilities	160.351	19.198	11.812	--	191.361
	1.777.888	701.444	427.541	9.688	2.916.561

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

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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:

	30.06.2008	31.12.2007
Total borrowings (note 12)	695.704	662.365
Less: Cash and cash equivalents	(574.354)	(512.130)
Net debt	121.350	150.235
Total equity	1.255.701	1.344.354
Overall financing	1.377.051	1.494.589
Capital to overall financing ratio	91%	90%

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

Credit risk

The Group’s exposure to credit risk is limited to the carrying amount of financial assets recognized at the balance sheet date.

Credit risk concerns the risk that a loss will be suffered by a party due to the reason that the other party to the transaction is unable to meet its obligations.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180 day and a 360 day lookout period are identified monthly.

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The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group’s policy is to deal only with creditworthy counterparties.

The Group management considers that all the financial assets shown above under paragraph liquidity risk that are not impaired for each of the reporting dates under review are of good credit quality.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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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27. 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.S. (Manisa/Turkey).
Electronic devices	:Produced by Vestel Komünikasyon Sanayi ve Ticaret A.S. (Izmir/Turkey). Produced by Vestel Dijital Üretim Sanayi A.S.. (Manisa/Turkey).
White Goods	:Produced by Vestel Beyaz ESya Sanayi ve Ticaret A.S.(Manisa/Turkey). Produced by Vestel CIS (Vladimir Region/Russia)

The segment results for the year ended 30.06.2008 are as follows:

	Television and electronic devices	White goods	Other	Total
Revenue	1.257.568	809.696	54.168	2.121.432
Cost of sales	(1.042.770)	(612.442)	(50.232)	(1.705.444)
Gross profit	214.798	197.254	3.936	415.988
Other segment items included in the income statement:				
Depreciation	46.178	25.562	4.872	76.612
Amortisation	6.359	2.574	2.868	11.801
Impairment of inventory	1.466	280	153	1.899
	54.003	28.416	7.893	90.312

The segment results for the year ended 30.06.2007 are as follows:

Revenue	1.431.445	636.393	37.315	2.105.153
Cost of sales	(1.284.327)	(558.891)	(33.830)	(1.877.048)
Gross profit	147.118	77.502	3.485	228.105
Other segment items included in the income statement:				
Depreciation	42.138	18.734	8.911	69.783
Amortisation	524	596	5.998	7.118
Impairment of inventory	730	904	663	2.297
	43.392	20.234	15.572	79.198

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The segment assets and liabilities at 30.06.2008 and 31.12.2007 and capital expenditure for the year then ended are as follows:

	Television and monitor	White goods	Other	Total
30.06.2008				
Assets	2.117.280	1.160.045	58.151	3.335.476
Unallocated assets				891.683
Total assets				4.227.159
Liabilities	1.606.448	350.186	51.283	2.007.917
Unallocated liabilities				963.541
Total liabilities				2.971.458
01.01-30.06.2008				
Capital expenditure	46.147	29.172	9.459	84.778
31.12.2007				
Assets	2.386.172	1.131.979	39.789	3.557.940
Unallocated assets				779.024
Total assets				4.336.964
Liabilities	1.734.861	291.455	36.519	2.062.835
Unallocated liabilities				929.775
Total liabilities				2.992.610
01.01.-30.06.2007				
Capital expenditure	37.884	52.206	11.855	101.945

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

	30.06.2008		31.12.2007	
	Assets	Liabilities	Assets	Liabilities
Cash and cash equivalents	574.354	--	512.130	--
Financial assets Held-to-maturity	63.674	--	--	--
Deferred tax	46.673	56.078	42.304	56.841
Other assets	205.126	--	222.877	--
Investments	1.856	--	1.713	--
Current tax	--	9.524	--	11.642
Current borrowings	--	316.086	--	236.948
Non-current borrowings	--	379.618	--	425.417
Reserve for retirement pay	--	20.928	--	19.208
Provisions	--	80.507	--	70.174
Other liabilities	--	100.800	--	109.545
	891.683	963.541	779.024	929.775

Geographical segments:

Segment assets	30.06.2008	31.12.2007
Turkey	2.904.553	2.897.173
Europe	976.954	1.176.231
Asia	345.652	263.560
	4.227.159	4.336.964

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	01.01.- 30.06.2008	01.01.- 30.06.2007
Revenue		
Turkey	579.203	581.183
Europe	1.402.810	1.394.647
Rest of the world	139.419	129.323
	2.121.432	2.105.153
Capital expenditure on property plant and equipment		
Turkey	55.013	73.773
Europe	175	591
Asia	1.543	25.866
	56.731	100.230
Capital expenditure on intangible assets		
Turkey	27.559	1.620
Europe	488	95
	28.047	1.715
Depreciation expenses of property plant and equipment		
Turkey	73.043	68.373
Europe	382	464
Asia	3.187	946
	76.612	69.783
Depreciation expenses of intangible assets		
Turkey	11.501	6.881
Europe	300	237
	11.801	7.118

28. POST BALANCE SHEET EVENTS

In July 2008, the Company’s subsidiary Vestel DİS Ticaret acquired Denmark’s “Vestfrost” white goods appliance brand name.

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