

**VESTEL ELEKTRONİK SANAYİ VE
TİCARET ANONİM ŞİRKETİ
CONSOLIDATED
FINANCIAL STATEMENTS AT
31 DECEMBER 2008
TOGETHER WITH AUDITOR'S REPORT**

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Vestel Elektronik Sanayi ve Ticaret A.S. and its subsidiaries listed under note 1 (the "Group"), which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated statements of income, changes in equity and cash flow for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Conclusion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2008, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

Aykut Halit
Partner

İstanbul, 10.04.2009

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2008 AND 2007

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

	Note	2008	2007
ASSETS			
Current assets			
Cash and cash equivalents	6	343.148	512.130
Trade receivables	7	1.148.066	1.134.997
Inventories	8	786.513	1.091.379
Other assets	9	195.406	203.431
Total current assets		2.473.133	2.941.937
Non-current assets			
Trade receivables		1.349	6.441
Financial assets available-for-sale	10	794	1.713
Property, plant and equipment	11	1.016.997	1.023.279
Intangible assets	12	349.872	301.844
Other assets		23.790	19.446
Deferred tax asset	17	65.818	42.304
Total non-current assets		1.458.620	1.395.027
Total assets		3.931.753	4.336.964

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2008 AND 2007

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

	Note	2008	2007
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	13	306.894	236.948
Trade payables	14	1.995.187	2.062.835
Taxation on income	17	587	11.642
Provision for expenses	15	99.753	58.474
Other liabilities	16	108.626	109.433
Total current liabilities		2.511.047	2.479.332
Non-current liabilities			
Borrowings	13	406.900	425.417
Trade payables		1.351	--
Employee termination benefits	18	17.883	19.208
Provision for expenses	15	12.617	11.700
Other liabilities		63	112
Deferred tax liability	17	62.409	56.841
Total non-current liabilities		501.223	513.278
Equity			
Share capital	19	593.218	576.862
Translation reserve		17.695	23.724
Minority interest		136.374	142.788
General reserves	20	172.196	600.980
Total equity		919.483	1.344.354
Commitments and contingencies	21		
Total liabilities and equity		3.931.753	4.336.964

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

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

	Note	2008	2007
Revenue		4.693.941	4.627.011
Cost of sales		(3.795.280)	(4.101.699)
Gross profit		898.661	525.312
Warranty expenses		(48.640)	(35.612)
Selling expenses		(427.807)	(417.484)
General and administrative expenses		(219.383)	(168.913)
Other income	23	65.896	49.857
Other expense	23	(28.766)	(48.120)
Operating profit /(loss)		239.961	(94.960)
Financing income	24	1.004.134	849.227
Financing expense	24	(1.651.306)	(692.472)
Profit / (loss) before taxation		(407.211)	61.795
Taxation on income	17	4.499	(30.929)
Net profit (loss) for the year		(402.712)	30.866
Attributable to:			
Equity holders of the Company		(411.509)	14.662
Minority interest		8.797	16.204
Net profit (loss) for the year		(402.712)	30.866
Basic and fully diluted earnings (loss) per share - TL		(0,02)	0,00

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31.12.2008 AND 2007

(All amounts in thousands of Turkish Lira ("TL") 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	--	(6.058)	--	247	(5.811)
Change in minority interest	--	--	914	(914)	--
Acquisition of subsidiary	--	--	(117)	5.410	5.293
Gain on investments taken to equity	--	--	235	--	235
Dividends paid	--	--	--	(8.412)	(8.412)
Net profit for the year	--	--	14.662	16.204	30.866
Balance at 31.12.2007	576.862	23.724	600.980	142.788	1.344.354
Share capital increase	16.356	--	(16.356)	--	--
Translation differences	--	(6.029)	--	(639)	(6.668)
Change in minority interest	--	--	--	(477)	(477)
Loss on investments taken to equity	--	--	(919)	--	(919)
Dividends paid	--	--	--	(14.095)	(14.095)
Net profit (loss) for the year	--	--	(411.509)	8.797	(402.712)
Balance at 31.12.2008	593.218	17.695	172.196	136.374	919.483

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEARS ENDED 31.12.2008 AND 2007

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

	Note	2008	2007
Profit (loss) before taxation		(407.211)	61.795
Adjustment to reconcile profit (loss) before taxation to net cash provided from operating activities:	25	312.756	270.741
Operating (loss) profit before changes in working capital		(94.455)	332.536
Changes in operating assets and liabilities	25	188.029	153.969
Taxes paid		(21.137)	(34.683)
Net cash provided by operating activities		72.437	451.822
Cash flows from investing activities			
Purchases of financial assets available-for-sale		--	(3.892)
Purchases of property, plant and equipment		(120.304)	(162.124)
Purchases of intangible assets		(80.903)	(50.459)
Proceeds from sale of property, plant and equipment		12.138	2.498
Net cash used in investing activities		(189.069)	(213.977)
Cash flows from financing activities			
Changes in current borrowings		61.268	(296.249)
Changes in non-current borrowings		(18.517)	30.758
Interest received		37.799	37.284
Interest paid		(68.218)	(80.801)
Dividends paid		(14.095)	(8.412)
Net cash used in financing activities		(1.763)	(317.420)
Translation differences		(50.784)	7.021
Net decrease in cash and cash equivalents		(169.179)	(72.554)
Cash and cash equivalents at beginning of year		512.130	584.684
Cash and cash equivalents at end of year		342.951	512.130

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

(All amounts in thousands of Turkish Lira ("TL") 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.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 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 under the Foreign Capital regulations in Turkey since July 1985. In 1991 Polly Peck Group transferred all of its shares to one of its subsidiaries named Collar Holding BV based in the Netherlands and in the same year, following the collapse of the Polly Peck Group, the Company was placed in administration. In November 1994 Ahmet Nazif Zorlu acquired the Company from the administrator of the Polly Peck Group by buying the entire share capital of Collar Holding BV which at the time held 82% of the Company's issued share capital.

The registered office address of the Company is located at Ambarli, 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 product divisions given below;

A. Television production:

Vestel Elektronik Sanayi ve Ticaret A.Ş.

The Company is mainly engaged in the production of colour televisions. The Company's production facilities are located in Manisa industrial site (Aegean Region, Turkey). As of the balance sheet date, production capacity for colour televisions was 14.000.000 (2007: 19.000.000) units per year respectively.

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

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

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

C. Digital Devices

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

Vestel Kom is engaged in the production of electronic devices. Vestel Kom's production facilities are primarily located in İzmir Aegean free zone industrial site.

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

Vestel Dijital is engaged in the production of electronic devices. Vestel Dijital's production facilities are located in Manisa industrial site. As of the balance sheet date, production capacity for digital devices, computer and panel was 11.260.000 (2007: 5.260.140) units per year.

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

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

Consolidated company	Location	2008		2007	
		Ownership interest	Economic interest	Ownership interest	Economic interest
Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.	Turkey	72,6	72,6	72,6	72,6
Vestel Komünikasyon Sanayi ve Ticaret A.Ş.	Turkey	99,4	99,3	99,4	99,3
Vestel Dış Ticaret A.Ş.	Turkey	99,7	99,7	99,7	99,7
Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş.	Turkey	100,0	100,0	100,0	100,0
Vestel CIS Ltd.	Russia	100,0	100,0	100,0	100,0
Deksar Multimedya ve Telekomünikasyon A.Ş.	Turkey	99,9	99,9	99,9	99,9
Vestel Savunma Sanayi A.Ş.	Turkey	30,0	29,9	30,0	29,9
Aydın Yazılım Elektronik ve Sanayi A.Ş.	Turkey	60,0	18,0	60,0	18,0
Vestel Iberia SL	Spain	100,0	99,7	100,0	99,7
Vestel France SA	France	99,9	99,5	99,9	99,5
Vestel Italy SRL	Italy	100,0	99,7	51,0	50,8
Vestel Holland BV	Holland	100,0	99,7	100,0	99,7
Veseg Video Handelsgesellschaft GmbH	Germany	100,0	99,7	100,0	99,7
Cabot Communications Ltd.	UK	90,8	90,9	90,8	90,9
Vestel Benelux BV	Holland	51,0	50,8	51,0	50,8
Vestel UK Ltd.	UK	100,0	99,7	100,0	99,7
Cabot İzmir Donanım Sanayi ve Ticaret A.Ş.	Turkey	58,0	52,7	58,0	52,7
Vestel Dijital Üretim Sanayi A.Ş.	Turkey	99,8	99,3	99,8	99,3
Electronics Outlet SRL	Italy	100,0	99,7	100,0	50,8
Vestek Elektronik Araştırma Geliştirme A.Ş.	Turkey	94,0	94,0	94,0	94,0
Vestel Trade Ltd.	Russia	100,0	100,0	100,0	100,0
Birim Bilgi Teknolojileri Ticaret A.Ş.	Turkey	45,0	45,0	45,0	45,0
OY Vestel Scandinavia AB	Finland	100,0	99,7	100,0	99,7
Deksamet Telekomünikasyon A.Ş.	Turkey	99,9	99,9	99,9	99,9
Intertechnika LLC	Russia	99,9	99,9	99,9	99,9

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

The consolidated financial statements for the year ended 31 December 2008 (including comparatives) were approved by the board of directors on 10.04.2009.

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

2.1 Measurement currency and reporting currency

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 TL 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 was 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 from 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 effects of ending the adjustments for inflation on financial statements are summarized as follows:

The financial statements as of 31 December 2006, 2007 and 2008 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 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.

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

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

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

Interpretations effective in January 2008 but not relevant:

- IFRIC 11, "IFRS 2 – Group and treasury share transactions"
- IFRIC 12, "Service concession arrangements"
- IFRIC 13, "Customer loyalty programmes"
- IFRIC 14, "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction"

(a) Standards, amendments and interpretations effective in January 2009 but not early adopted by the Company:

- IFRIC 15, "Agreements for construction of real estates"
- IFRIC 16, "Hedges of a net investment in a foreign operation"
- IAS 1 (Revised), "Presentation of financial statements"
- IAS 23 (Amendment), "Borrowing costs", Capitalisation of Borrowing Costs
- IAS 32 (Amendment), "Financial instruments: Presentation", and IAS 1 (Amendment), "Presentation of financial statements" – "Puttable financial instruments and obligations arising on liquidation"
- IAS 39 (Amendment), "Financial instruments: Recognition and measurement"
- IFRS 1 (Amendment), "First time adoption of IFRS"
- IFRS 2 (Amendment), "Share-based payment"
- IFRS 8 "Operating segments"

(b) Standards, amendments and interpretations effective in July 2009 but not early adopted by the Company:

- IAS 27 (Revised), "Consolidated and separate financial statements"
- IAS 28 (Amendment), "Investments in associates"
- IAS 31 (Amendment), "Interests in joint ventures"
- IFRS 3 (Revised), "Business combinations"
- IFRS 5 (Amendment), "Non-current assets held-for-sale and discontinued operations"

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

2.3 Comparable financial information and reclassification of prior period financial statements

The balance sheets with the accompanying notes as of 31.12.2008 and 31.12.2007 and statement of income, cash flow and changes in equity with the accompanying notes for the year ended 31.12.2008 and 31.12.2007 are presented as comparatively.

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

2.4 Critical accounting estimates, assumptions and judgments

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

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date and the significant judgments with the most significant effect on amounts recognized in the financial statements are set out below:

- Allowance for doubtful debts reflect the amount set aside for the losses in the future related to receivables which exist the balance sheet date but which, in the opinion of the management carry the risk of collection due to current economic conditions. When evaluating whether receivables has suffered a loss in value the past performance of the debtors, their credibility in the market and their performance between the balance sheet date and report date together with changed circumstances are taken in the considerations. In addition the collaterals existing as balance sheet date together with new collaterals obtained between the balance date and report date are also taken into consideration. The allowance for doubtful receivables as of the balance sheet dates are explained under note 7.

- When setting aside the provision for legal claims the probability of loosing the related case and the results to expect to be suffered in the event that the legal counsel of the Group and management of the Group make their best estimates to calculate the provision required under note 21.

- As for the diminution in value of stocks, all stocks are subjected to review and their usage possibility ascertained on basis of the opinion of the technical personnel; provisions are set aside for items expected not to have usage possibility. Calculation of net realizable values of stocks is based on selling prices as disclosed by selling price lists after deduction for average discounts given during the year and selling expenses to be incurred for the realization of stocks. If the net realizable value of any stock falls under its cost price appropriate provisions are therefore set aside.

- In accordance with the accounting policy outlined under note 3 goodwill is reviewed every year for impairment; if circumstances call for it this review for impairment is made at more frequent intervals. The recoverable value of cash generating units is ascertained on basis of their value in use. Calculations have been made in this respect and these revealed an impairment in value of TL 3.470 (2007 – nil).

- Property, plant and equipment and intangible assets held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The Group estimates that the useful lives of tangible and intangible assets. Depreciation is charged using the straight line basis over the useful lives which depend on the best estimation of the management. Useful lives of property, plant and equipment and intangible assets are reviewed at each balance sheet dates and make changes if necessary.

- Deferred tax assets are accounted for only where it is likely that related temporary differences and accumulated losses will be recovered through expected future profits. When accounting for deferred tax losses it is necessary to make important estimations and evaluations with regard to taxable profits in the future periods. As mentioned under note 17 the related companies of the Group included in the consolidated statements have taxable losses of TL 139.720 (2007 – 36.155) carried forward to future periods and deferred tax assets have been calculated on basis of the expectation that taxable profits will be created in future periods.

2.5 Offsetting

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

(All amounts in thousands of Turkish Lira ("TL") 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 TL at the exchange rates prevailing at dates of these transactions. Balance sheet items denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from settlement and translation of foreign currency items have been included in the income or expense accounts as appropriate.

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

	2008	2007
US Dollar	1,5123	1,1647
EURO	2,1408	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 ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

(All amounts in thousands of Turkish Lira (“TL”) 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 YEAR ENDED 31 DECEMBER 2008

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

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

Research and development costs – Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets to the extent that the expenditure is expected to generate future economic benefits. Development costs that have been capitalized are amortized on straight line basis over 3 - 5 years which is the estimated period over which technology is expected to lead the market and have commercial value. The carrying values of capitalized research and development expenditure are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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.

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

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

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 26).

Bank borrowings

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

Recognition and derecognition of financial instruments

The Company recognizes a financial asset or financial liability in its balance sheet when and only when it becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset or a portion of a financial asset when and only when it loses control of the contractual rights that comprise the financial asset or a portion of a financial asset or when a financial asset or a portion of a financial asset expires. The Company derecognizes a financial liability when and only when a liability is extinguished and that is when the obligation specified in the contract is discharged, cancelled and expires.

Commitments and contingencies

Transactions that may give rise to contingencies and commitments are those where the outcome and the performance of which will be ultimately confirmed only on the occurrence or non occurrence of certain future events, unless the expected performance is not very likely. Accordingly, contingent losses are recognized in the financial statements if a reasonable estimate of the amount of the resulting loss can be made. Contingent gains are reflected only if it is virtually certain that the gain will be realized.

Revenue recognition

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

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

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

Rental income – on an accrual basis.

Interest income – on an effective yield basis.

Income taxes

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

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

Borrowing costs

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

Employee termination benefits

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

Provisions

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

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

Earnings per share

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

Cash and cash equivalents

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

4. EARNINGS PER SHARE

	2008	2007
Net profit attributable to shareholders	(402.712)	30.866
Weighted average number of ordinary shares in issue('000)	17.545.628	17.545.628
Basic and diluted earnings per share - TL	(0,02)	0,00

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

5. SEGMENT INFORMATION

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

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

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

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

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

	Television and electronic devices	White goods	Other	Total
Revenue	3.022.033	1.555.423	116.485	4.693.941
Cost of sales	(2.442.747)	(1.239.501)	(113.032)	(3.795.280)
Gross profit	579.286	315.922	3.453	898.661

Other segment items included in the income statement:

Depreciation	92.184	54.808	11.035	158.027
Amortisation	16.241	6.792	7.011	30.044
Impairment of inventory	14.912	2.838	890	18.640
	123.337	64.438	18.936	206.711

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

Revenue	2.971.923	1.373.990	281.098	4.627.011
Cost of sales	(2.711.757)	(1.139.736)	(250.206)	(4.101.699)
Gross profit	260.166	234.254	30.892	525.312

Other segment items included in the income statement:

Depreciation	94.853	43.457	9.006	147.316
Amortisation	5.192	1.204	8.712	15.108
Impairment of inventory	10.177	1.708	(146)	11.739
	110.222	46.369	17.572	174.163

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

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

	Television and electronic devices	White goods	Other	Total
2008				
Trade receivables	910.342	203.857	35.216	1.149.415
Inventories	435.464	345.881	5.168	786.513
Property, plant and equipment	495.053	512.189	9.755	1.016.997
Intangible assets	153.499	179.823	16.550	349.872
Unallocated assets				628.956
Total assets				3.931.753
Trade payables	1.498.926	363.554	134.058	1.996.538
Unallocated liabilities				1.015.732
Total liabilities				3.012.270
Capital expenditure	104.861	55.622	40.724	201.207
2007				
Trade receivables	898.000	217.678	25.760	1.141.438
Inventories	802.124	283.125	6.130	1.091.379
Property, plant and equipment	532.778	484.850	5.651	1.023.279
Intangible assets	153.270	146.326	2.248	301.844
Unallocated assets				779.024
Total assets				4.336.964
Trade payables	1.734.861	291.455	36.519	2.062.835
Unallocated liabilities				929.775
Total liabilities				2.992.610
Capital expenditure	108.277	80.622	24.500	213.399

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

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

	2008		2007	
	Assets	Liabilities	Assets	Liabilities
Cash and cash equivalents	343.148	--	512.130	--
Deferred tax	65.818	62.409	42.304	56.841
Other assets	219.196	--	222.877	--
Financial assets available-for-sale	794	--	1.713	--
Current tax	--	587	--	11.642
Current borrowings	--	306.894	--	236.948
Non-current borrowings	--	406.900	--	425.417
Employee termination benefits	--	17.883	--	19.208
Provisions	--	112.370	--	70.174
Other liabilities	--	108.689	--	109.545
	628.956	1.015.732	779.024	929.775

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

Geographical segments:

Segment assets	2008	2007
Turkey	2.601.381	2.897.173
Europe	981.371	1.176.231
Russia	349.001	263.560
	3.931.753	4.336.964
Revenue		
Turkey	1.154.485	1.213.326
Europe	3.153.745	3.172.222
Rest of the world	385.711	241.463
	4.693.941	4.627.011
Capital expenditure on property plant and equipment		
Turkey	110.267	132.212
Europe	692	841
Asia	9.345	29.071
	120.304	162.124
Capital expenditure on intangible assets		
Turkey	79.138	48.149
Europe	1.765	2.310
Asia	--	816
	80.903	51.275
Depreciation expenses of property plant and equipment		
Turkey	147.634	143.053
Europe	902	901
Asia	9.491	3.362
	158.027	147.316
Depreciation expenses of intangible assets		
Turkey	28.618	14.465
Europe	1.426	643
Asia	--	--
	30.044	15.108

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

6. CASH AND CASH EQUIVALENTS

	2008	2007
Cash at bank and in hand	158.403	175.972
Time deposits	181.843	320.385
Other	2.902	15.773
Cash and cash equivalents	343.148	512.130
Bank overdrafts (-)	(197)	--
Cash and cash equivalents presented in cash flow statement	342.951	512.130

Time deposit accounts mature in January 2009 (2007: January 2008).

7. TRADE RECEIVABLES

Current

Current accounts		
- Third parties	849.838	858.055
- Related parties, note 26	13.931	15.799
Notes receivable		
- Third parties	333.937	296.505
Others	274	4.364
	1.197.980	1.174.723
Unearned interest on receivables (-)	(20.738)	(19.058)
Allowance for doubtful receivables (-)	(29.176)	(20.668)
	1.148.066	1.134.997

Movement of doubtful receivables is given below:

Beginning balance	20.668	13.739
Charge for the period	9.653	8.251
Amounts utilized during the year	(1.548)	(1.322)
Translation differences	403	--
Ending balance	29.176	20.668

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

8. INVENTORIES

	2008	2007
Raw materials	391.062	585.278
Work in process	35.363	45.793
Finished goods and merchandise	385.758	468.968
Other	13.264	11.634
	825.447	1.111.673
Provision for diminution in value (-)		
Raw materials	(18.007)	(10.439)
Finished goods and merchandise	(20.927)	(9.855)
	786.513	1.091.379

Movement of allowance for diminution in value of inventories is as follows:

Beginning balance	20.294	8.555
Charge for the period	19.220	13.201
Disposal of impaired stocks during the period	(919)	(1.462)
Translation differences	339	--
Ending balance	38.934	20.294

The cost of inventories recognized as expense and included in cost of sales during the year amounted to TL 2.897.741 (2007: TL 3.333.667).

9. OTHER ASSETS

Current		
Prepaid expenses	16.965	23.518
VAT receivable	80.949	115.289
Work advances	1.156	2.636
Due from related parties, note 26	3.058	2.079
Project expenses	48.133	44.554
Receivables from insurance company (*)	--	2.912
Fair value of forward contracts	9.965	--
Prepaid taxes	8.177	2.444
Other	27.003	9.999
	195.406	203.431

(*) 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. As of 31 December 2007 the remaining balance receivable from the insurance claims by Vestel CIS amounted TL 2.912 which was duly collected during January-April 2008.

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

10. FINANCIAL ASSETS

				2008	2007
				794	1.713
				35	35
				759	1.678
				794	1.713
Entity	Country	Share %		Amount	
		2008	2007	2008	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 (-)					
				(301)	(301)
				(233)	(233)
				35	35
Other investments					
Zorlu Enerji Elektrik Üretim A.Ş.	Turkey	Less than 1%	Less than 1%	684	1.603
Tursoft A.Ş.	Turkey	7%	7%	13	13
Zorlu Endüstriyel Enerji A.Ş.	Turkey	1%	1%	50	50
İzmir Teknoloji Geliştirme A.Ş.	Turkey	5%	5%	12	12
				759	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.

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Cost						
Balance at 01.01.2007	256.390	1.344.013	5.722	114.903	54.341	1.775.369
Additions	5.698	44.998	1.037	27.179	83.212	162.124
Disposals	--	(6.479)	(478)	(3.762)	--	(10.719)
Acquisition of subsidiary	1.652	48	--	12	--	1.712
Translation differences	(6.015)	(3.679)	(194)	(387)	(2.386)	(12.661)
Transfers	28.213	72.150	36	1.418	(102.523)	(706)
Balance at 31.12.2007	285.938	1.451.051	6.123	139.363	32.644	1.915.119
Additions	7.345	51.921	1.250	24.105	35.683	120.304
Disposals	(1.252)	(17.459)	(2.759)	(3.881)	--	(25.351)
Translation differences	17.333	17.298	671	2.399	5.253	42.954
Transfers	13.896	29.561	1.290	1.979	(47.330)	(604)
Balance at 31.12.2008	323.260	1.532.372	6.575	163.965	26.250	2.052.422
Accumulated depreciation						
Balance at 01.01.2007	32.965	650.476	2.309	68.018	--	753.768
Additions	6.877	122.712	1.105	16.622	--	147.316
Disposals	(29)	(4.308)	(227)	(2.919)	--	(7.483)
Acquisition of subsidiary	--	293	--	--	--	293
Translation differences	(93)	(1.752)	(56)	(153)	--	(2.054)
Balance at 31.12.2007	39.720	767.421	3.131	81.568	--	891.840
Additions	9.106	130.824	1.132	16.965	--	158.027
Disposals	(50)	(15.061)	(805)	(1.915)	--	(17.831)
Translation differences	582	1.987	249	571	--	3.389
Balance at 31.12.2008	49.358	885.171	3.707	97.189	--	1.035.425
Net book value as of						
31.12.2007	246.218	683.630	2.992	57.795	32.644	1.023.279
31.12.2008	273.902	647.201	2.868	66.776	26.250	1.016.997

Leased assets included in the table above comprise plant and machinery amounting to TL 21.394 (31.12.2007: TL 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.

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

12. INTANGIBLE ASSETS

	Goodwill	Development cost	Other intangible assets	Total
Cost				
Balance at 01.01.2007	202.896	32.001	174.538	409.435
Additions	816	44.075	6.384	51.275
Disposals	--	(1.175)	(13)	(1.188)
Translation differences	(846)	--	(659)	(1.505)
Transfers	--	645	61	706
Balance at 31.12.2007	202.866	75.546	180.311	458.723
Additions	--	58.566	22.337	80.903
Disposals	(3.470)	--	(1.670)	(5.140)
Translation difference	292	365	839	1.496
Transfers	--	--	604	604
Balance at 31.12.2008	199.688	134.477	202.421	536.586
Accumulated amortisation				
Balance at 01.01.2007	14.095	13.355	114.472	141.922
Additions	--	2.033	13.075	15.108
Disposals	--	--	(2)	(2)
Translation differences	(103)	--	(46)	(149)
Balance at 31.12.2007	13.992	15.388	127.499	156.879
Additions	--	16.900	13.144	30.044
Disposals	--	--	(519)	(519)
Translation difference	--	--	310	310
Balance at 31.12.2008	13.992	32.288	140.434	186.714
Net book value as of				
31.12.2007	188.874	60.158	52.812	301.844
31.12.2008	185.696	102.189	61.987	349.872

In mid 2001, the Group established the Digital Research and Development Department within Aegean Free Zone – İzmir to contribute to the expansion of the product range in line with technological developments. The Department continues development of digital satellite receivers with common Interface and Personal Video Recording (PVR) capabilities, digital terrestrial receivers, DVD A/V receivers and recordable DVD players. Research and Development Department in Manisa continues development of Integrated Digital TV (DTV), Hybrid TV, Digital TV, TV-DVD, Large Digital TV and Large Flat Screen TV. Development costs principally comprise internally generated expenditure on development costs on the above projects where it is reasonably anticipated that costs will be recovered through future commercial activity.

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

13. BORROWINGS

	Current		Non-current	
	Foreign Currency	TL equivalent	Foreign Currency	TL equivalent
2008				
New Turkish Lira bank loans		1.967		--
Foreign currency bank loans				
-USD ('000)	106.834	161.565	220.467	333.413
-EUR ('000)	66.535	142.439	33.608	71.949
Finance lease liabilities, net				
-USD ('000)	396	599	777	1.175
-EUR ('000)	43	93	--	--
-TL ('000)		231	--	363
		306.894		406.900
2007				
New Turkish Lira bank loans	--	3.439	--	--
Foreign currency bank loans				
-USD ('000)	112.889	131.482	287.707	335.093
-EUR ('000)	59.078	101.035	52.755	90.223
Finance lease liabilities, net				
-USD ('000)	610	710	--	--
-EUR ('000)	165	282	59	101
		236.948		425.417

Summary maturity schedule of total borrowings is given below:

	2008	2007
Due in one year	306.894	236.948
One to two years	62.657	80.148
Two to three years	322.123	16.135
Three to four years	8.422	37.333
Four to five years	5.111	282.113
Over five years	8.587	9.688
	713.794	662.365

Letters of guarantee and notes amounting to TL 32.893 (EUR 15.365 thousand) have been given as collateral for Turkish Eximbank and other credits (31.12.2007: TL 27.569 (EUR 16.120 thousand)).

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

Payment schedule of finance lease liabilities is given below:

	2008	2007
Finance lease liabilities - minimum lease payments:		
Payable with in one year	937	1.021
Payable later then one year and not later than four years	1.969	110
	2.906	1.131
Future finance charges on finance leases	(445)	(38)
Present value of finance lease liabilities	2.461	1.093
The present value of finance lease liabilities is as follows:		
Payable with in one year	923	992
Payable later then one year and not later than four years	1.538	101
	2.461	1.093

14. TRADE PAYABLES

Current

Current accounts		
- Third parties	1.391.508	1.473.400
- Related parties, note 26	5.120	3.671
- Letters of credit	284.924	266.498
- Letters of credit discounted	311.651	248.374
Notes payable		
- Third parties	5.639	73.627
Other	116	1.024
	1.998.958	2.066.594
Unearned interest on payables (-)	(3.771)	(3.759)
	1.995.187	2.062.835

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

15. PROVISION FOR EXPENSES

	2008	2007
Current		
Warranty provision	56.018	38.397
Expense accruals	43.735	20.077
	99.753	58.474
Non-current		
Warranty provision	12.617	11.700

Movement of provisions is as follows:

	Warranty expense	Expense accruals
Balance at, 01 January	50.097	20.077
Additions	67.178	43.735
Disposals	(48.640)	(20.077)
Balance at, 31 December	68.635	43.735

16. OTHER LIABILITIES

Income tax and social security payables	23.867	23.468
Advances received	21.065	27.724
Deferred project income	47.400	45.654
Due to personnel	7.835	8.576
Other	8.459	4.011
	108.626	109.433

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

17. TAXATION ON INCOME

	2008	2007
Current	(10.082)	(39.008)
Deferred	14.581	8.079
Taxation on income	4.499	(30.929)

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

In Turkey tax losses that are reported in the Corporation Tax in Turkey return may be carried forward and deducted from the corporation tax base for a maximum of five consecutive years.

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

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

Country	% of taxable profit
Germany	31,5
France	33,3
The Netherlands	25,5
UK	28,0
Spain	30,0
Italy	37,3
Russia	20,0

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

	2008	2007
Profit (loss) before tax	(407.211)	61.795
Corporation tax using applicable tax rates	10.082	39.008
Disallowable expenses	15.547	37.963
Income not subject to tax	(29.276)	(45.303)
Research and development allowances	(852)	(739)
Taxation on income	(4.499)	30.929
The Group's prepaid income and Corporation taxes are netted off against the current income tax provision on the balance sheet as stated below:		
Corporation and income taxes	10.082	39.008
Prepaid taxes (-)	(9.495)	(27.366)
	587	11.642
Deferred tax asset	(65.818)	(42.304)
Deferred tax liability	62.409	56.841
	(2.822)	26.179

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

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	
	2008	2007	2008	2007
Deferred tax asset				
Warranty expense provision	42.141	43.953	8.428	8.791
Employee termination benefits	17.426	18.854	3.501	3.780
Unearned interest on receivables	20.169	19.237	4.034	3.847
Capitalized financing expenses written off	45.273	21.748	9.056	4.378
Provision for doubtful receivables	23.576	17.382	4.715	3.476
Accrued expenses	2.114	9.068	423	1.813
Taxable loss carried forward	139.720	36.155	28.956	7.760
Prepaid expenses	16.178	12.377	3.236	2.475
Other	15.187	26.354	3.469	5.984
			65.818	42.304
Deferred tax liability				
Temporary differences arising				
from restating non-monetary assets	291.599	269.219	57.585	53.931
Unearned interest on payables	7.447	8.584	1.489	1.717
Other	11.683	9.568	3.335	1.193
			62.409	56.841
			3.409	(14.537)
The movement of deferred tax liability is given below:				
Opening balance			(14.537)	(21.500)
Deferred tax income			14.581	8.079
Translation difference			3.365	(1.116)
Closing balance			3.409	(14.537)

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

18. EMPLOYEE TERMINATION BENEFITS

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

The amount of indemnity is the equivalent of one month's salary for each year of service subject to a ceiling which is TL 2.173,19 as of 2008 (31.12.2007: TL 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.

	2008	2007
Opening balance	19.208	21.447
Charge for the year	13.045	6.322
Disposals	(14.370)	(8.561)
Closing balance	17.883	19.208
Number of personnel at the year end:		
Personnel	9.435	9.945
Sub-contracted personnel	6.065	5.640
	15.500	15.585
Personnel cost:		
Personnel cost	275.425	251.688
Sub-contracted personnel cost	58.774	73.300
	334.199	324.988
Key personnel salaries and other short term benefits	12.623	12.160

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

19. SHARE CAPITAL

The authorized share capital of the Company comprised 44.000.000.000 shares of par value Kr 1 each at 31.12.2008 and 2007.

As of 31.12.2008 the issued and paid up share capital of the Company comprised 17.545.627.500 shares (2007: 15.909.988.696) of par value Kr 1 each.

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

	Shareholding %		Shareholding amount	
	2008	2007	2008	2007
Collar Holding BV	52%	52%	90.520	82.082
Other shareholders	48%	48%	84.936	77.018
Share capital	100%	100%	175.456	159.100
Inflation adjustment of share capital			417.762	417.762
Restated share capital			593.218	576.862

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

20. GENERAL RESERVES

General reserves comprise legal reserves and retained earnings.

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

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

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

**VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008**

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

21. COMMITMENTS AND CONTINGENCIES

- a) At 31.12.2008 the Group had contingent liabilities of TL 226.331 (31.12.2007: TL 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 472.126.000 (31.12.2007: USD 233.025.000) 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 31.12.2008 was TL 77.465 (31.12.2007: TL 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 totalling TL 29.176 and tax claim of TL 958 which have been provided for in full. In addition a provision of TL 2.044 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 lawsuit is still pending and at the stage of expert evaluation. No amount has been provided in respect of this lawsuit.
- h) Total obligation of the Group related to operational lease agreements amounted to TL 2.351 (31.12.2007: TL 2.668) per year.
- i) Vestel White, is the guarantor in favour of Vestel Elektronik Sanayi ve Ticaret A.Ş. for bank borrowings amounting to TL 30.000, USD 100.000.000, EUR 50.000.000 and JPY 473.000.000.
- 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 loan agreement obtained from HSBC Bank Plc centred in London (including HSBC Amanah Finance located in Dubai and HSBC Bank A.Ş. located in Istanbul) in favour of Vestel Dayanıklı Tüketim Malları Pazarlama A.Ş. (“ 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.
- l) Vestel White is the guarantor in favour of Vestel Dış Ticaret A.Ş. for bank borrowings obtained from Finansbank A.Ş. amounting to EUR 4.700.000.
- m) Vestel White is the guarantor for the bank loans which have been borrowed by Vestel Elektronik Sanayi ve Ticaret A.Ş. from Türkiye Garanti Bankası A.Ş. amounting to TL 13.000 and USD 60.000.000.
- n) Vestel White is the guarantor for bank borrowings obtained from Finansbank A.Ş. amounting to USD 83.000.000.
- o) Vestel White is the guarantor in favour of Vestel Pazarlama and Vestel Elektronik Sanayi ve Ticaret A.Ş. for bank borrowings obtained from ABN AMRO Bank.
- p) Vestel White is the guarantor in favour of Vestel and Vestel Trade Ltd. for bank borrowings obtained from Citibank A.Ş..
- r) As of 31.12.2008, the Group has entered in a forward exchange contracts amounting to EUR 6.400.000 and USD 236.726.008 on a fixed amount GBP 12.671.141 and EUR 156.580.059.

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

22. NATURE OF EXPENSES

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

	2008	2007
Direct materials and merchandise expenses	3.242.667	3.597.869
Changes in semi-finished goods and finished goods	93.640	41.910
Employee and sub-contracted personnel cost	334.199	324.988
Depreciation and amortization	185.826	162.424
Freight and freight insurance	99.335	101.368
Warranty, installation and service cost	94.234	72.477
Advertising expenses	56.738	54.568
Sales commission expenses	68.379	55.342
Office expenses	31.083	35.811
Outsourcing expenses	38.086	50.741
Energy expenses	20.800	20.256
Rent expenses	15.022	16.478
Consulting expenses	17.280	14.298
Insurance expenses	9.789	11.126
Doubtful debts provision expense	9.653	8.251
Repair and maintenance expenses	8.338	8.105
Other expenses	166.041	147.696
	4.491.110	4.723.708

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

23. OTHER INCOME AND OTHER EXPENSE

	2008	2007
Scrap sales	1.806	1.749
Export commission and freight related income	33.506	20.818
Profit on sale of property, plant and equipment and intangible assets	1.116	1.515
Provisions released	6.690	--
Grant income	4.905	5.957
Other	17.873	19.818
Other income	65.896	49.857
Idle capacity expenses	3.433	5.769
Loss on sale of property, plant and equipment and intangible assets	1.119	3.440
Insurance expense (*)	--	6.303
Other	24.214	32.608
Other expense	28.766	48.120

(*) 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 TL 6.303 is recorded under other expense.

24. FINANCING INCOME AND FINANCING EXPENSE

Foreign exchange gain	938.246	784.662
Interest income from bank deposits	37.799	37.284
Unearned interest on payables	28.083	27.045
Other	6	236
Financing income	1.004.134	849.227
Foreign exchange loss	1.463.838	504.931
Bank loans interest expense	76.313	89.928
Letters of credit expenses	49.117	40.920
Finance lease interest expense	386	420
Factoring expenses	9.686	7.865
Bank commission expenses	11.310	11.134
Unearned interest on receivables	32.262	23.052
Other	8.394	14.222
Financing expense	1.651.306	692.472

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

25. SUPPLEMENTARY CASH FLOW INFORMATION

	2008	2007
Adjustment to reconcile profit before taxation to net cash provided from operating activities:		
Depreciation of property, plant and equipment	158.027	147.316
Amortisation of intangible assets	30.044	15.108
Profit on sale of property, plant and equipment and intangible assets	(1.116)	(1.515)
Loss on sale of property, plant and equipment and intangible assets	1.119	3.440
Provision for retirement pay	13.045	6.322
Provision for doubtful receivables	9.653	8.251
Interest expense	76.699	90.348
Interest income	(37.799)	(37.284)
Warranty provision	18.538	5.741
Unearned interest on receivables	1.680	(1.253)
Unearned interest on payables	(12)	989
Provision for diminution in value of inventories	19.220	13.201
Provision for expense accruals	23.658	20.077
	312.756	270.741
Depreciation expense and amortization charge:		
Cost of sales	136.521	124.168
Selling, general and administrative expenses	49.305	38.256
Other expense – Idle capacity	2.245	--
	188.071	162.424
Changes in operating assets and liabilities:		
Trade receivables	(19.310)	217.715
Inventories	285.646	137.186
Other assets	3.681	37.716
Trade payables	(66.285)	(244.495)
Other liabilities	(15.703)	5.847
	188.029	153.969

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

26. 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
31.12.2008			
Zorpet Petrogaz, Petrol, Gaz ve Petrokimya A.Ş.	--	--	366
Teds International	--	327	--
L-3 Communications Investments	666	--	1.628
Vestel Elektronika S.R.L.	4.800	--	--
UTS-United Technical Services, Spol.S.R.O	4.068	--	--
Vkom-Birim-Dataset Joint Venture	1.314	1.926	--
Other related parties	3.083	805	3.126
	13.931	3.058	5.120
31.12.2007			
Zorpet Petrogaz, Petrol, Gaz ve Petrokimya A.Ş.	5	--	343
Vestel USA Inc.	--	13	--
Teds International	--	375	--
L-3 Communications Investments	--	--	1.116
Due to shareholders	--	255	--
Vestel Elektronika 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.Ş. and “other related parties” are companies controlled by the majority shareholder of Vestel Elektronik.

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

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

	2008	2007
Sales		
Zorpet Petrogaz, Petrol, Gaz ve Petrokimya A.Ş.	231	59
Vestel Elektronica S.R.L.	10.065	--
UTS- United Technical Services, Spol S.R.O.	5.380	--
L-3 Communications Investments	5.328	--
Other	703	1.180
	21.707	1.239
Operating expense		
Deniz Destek Oto Alım Satım Kiralama Temizlik Hizmetleri ve İnşaat A.Ş.	93	1.540
Other	946	1.576
	1.039	3.116

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

27. FINANCIAL INSTRUMENTS

Risk management objectives and policies

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

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

Credit risk

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

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

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

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

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

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

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

2008	Receivables				Bank amounts	Other
	Trade receivables		Other receivables			
	Related parties	Other parties	Related parties	Other parties		
Maximum exposure to credit risk as of 31.12.2008 (A+B+C+D)	13.825	1.134.241	3.058	192.348	339.872	3.276
- Secured portion of maximum credit risk with collateral *	--	565.966	--	--	--	--
A. Carrying amount of financial assets that are not overdue and not impaired	11.722	1.097.390	3.058	192.348	339.872	1.259
B. Carrying amount of financial assets whose terms were renegotiated, otherwise are overdue and impaired	--	20.331	--	--	--	2.017
C. Carrying amount of assets that are overdue but not impaired	2.103	16.520	--	--	--	--
- Carrying amount secured with collateral *	--	(2.250)	--	--	--	--
D. Carrying amount of assets that are impaired						
- Overdue (gross carrying amount)	--	29.176	--	--	--	--
- Impairment	--	(29.176)	--	--	--	--
- Carrying amount secured with collateral*	--	--	--	--	--	--
- Not overdue (gross carrying amount)						
- Impairment	--	--	--	--	--	--
- Carrying amount secured with collateral *	--	--	--	--	--	--
Maximum exposure to credit risk as of 31.12.2007 (A+B+C+D)	15.799	1.103.302	2.079	201.352	483.395	28.735
- Secured portion of maximum credit risk with collateral *	--	509.928	--	--	--	--
A. Carrying amount of financial assets that are not overdue and not impaired	15.799	1.075.458	2.079	201.352	483.395	16.061
B. Carrying amount of financial assets whose terms were renegotiated, otherwise are overdue and impaired	--	8.841	--	--	--	12.674
C. Carrying amount of assets that are overdue but not impaired	--	19.003	--	--	--	--
- Carrying amount secured with collateral *	--	--	--	--	--	--
D. Carrying amount of assets that are impaired						
- Overdue (gross carrying amount)	--	20.668	--	--	--	--
- Impairment	--	(20.668)	--	--	--	--
- Carrying amount secured with collateral*	--	--	--	--	--	--
- Not overdue (gross carrying amount)						
- Impairment	--	--	--	--	--	--
- Carrying amount secured with collateral *	--	--	--	--	--	--

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

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

	2008	2007
Not more than 30 days	9.930	3.457
Within 1 month to 3 months	8.407	14.869
Within 3 months to 12 months	6.939	17.689
Within 1 year to 5 years	42.854	12.497
	68.130	48.512

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.

Fixed interest rate financial instruments

Financial assets-time deposits

- Time deposits

Financial liabilities

181.843

320.385

346.870

266.590

Variable interest rate financial instruments

Financial liabilities

366.924

395.775

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

2008 (%)	USD	EUR	TL
Assets			
Cash and cash equivalents	2,8	3,5	15,0
Trade receivables	1,2	2,8	16,6
Liabilities			
Borrowings	4,6	5,6	26,0
Trade payables	1,2	2,8	16,4
2007 (%)	USD	EUR	TL
Assets			
Cash and cash equivalents	4,8	4,4	17,7
Trade receivables	4,7	3,9	14,7
Liabilities			
Borrowings	4,9	6,0	0,0
Trade payables	4,7	4,0	14,6

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

Foreign currency risk

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

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

The Group manages its currency exposure risk by organizing a balanced distribution between its foreign currency assets and commitments and by matching off the liabilities and receivables and its net currency position.

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

	USD	EUR	Other currencies TL equivalent	TL equivalent
31.12.2008				
Cash and cash equivalents	136.867	50.195	8.585	323.026
Trade receivables	185.725	183.230	18.790	691.921
Inventories	32.137	16.180	381	83.620
Other receivables	3.423	10.442	256	27.787
Total foreign currency assets	358.152	260.047	28.012	1.126.354
Current borrowings	107.230	66.578	--	304.696
Non-current borrowings	221.244	33.608	--	406.537
Trade payables	1.074.708	106.419	11.926	1.865.029
Advance received	4.123	2.644		11.895
Other liabilities	22.210	7.686	78	50.120
Total foreign currency liabilities	1.429.515	216.935	12.004	2.638.277
Net foreign currency position	(1.071.363)	43.112	16.008	(1.511.923)
Derivatives				
Assets	236.726	6.400	--	371.702
Liabilities	--	(156.580)	(12.671)	(347.877)
	236.726	(150.180)	(12.671)	23.825

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

	USD	EUR	Other currencies TL equivalent	TL 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 31 December 2008 will amount to a loss of TL 15.119 (2007: TL 11.494) and a decrease will amount to profit of the same amount.

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

Liquidity risk

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

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

The breakdown of liabilities according to their contractual maturity is based on the maturity dates from the date of the balance sheet is given below:

	Book value	Total cash out flow	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years
2008						
Contractual maturities						
Borrowings	713.794	816.095	66.828	242.254	498.426	8.587
Trade payables	1.260.946	1.263.366	241.729	1.021.637	--	--
	1.974.740	2.079.461	308.557	1.263.891	498.426	8.587
Derivative cash inflow	371.702	371.702	205.698	166.004	--	--
Derivative cash outflow	(371.702)	(362.987)	(200.263)	(162.724)	--	--
	--	8.715	5.435	3.280	--	--
Expected maturities						
Trade payables	735.592	735.592	707.131	27.069	1.392	--
Other liabilities	108.689	108.689	51.789	56.837	63	--
	844.281	844.281	758.920	83.906	1.455	--
2007						
Contractual maturities						
Borrowings	662.365	662.364	22.961	213.986	415.730	9.687
Trade payables	1.106.520	1.110.279	132.048	978.231	--	--
	1.768.885	1.772.643	155.009	1.192.217	415.730	9.687
Expected maturities						
Trade payables	956.315	956.315	921.469	34.846	--	--
Other liabilities	109.545	109.545	63.782	45.651	112	--
	1.065.860	1.065.860	985.251	80.497	112	--

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

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

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:

	2008	2007
Total borrowings (note 13)	713.794	662.365
Less: Cash and cash equivalents	(343.148)	(512.130)
Net debt	370.646	150.235
Total equity	919.483	1.344.354
Overall financing	1.290.129	1.494.589
Capital to overall financing ratio	29%	10%

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:

VESTEL ELEKTRONİK SANAYİ VE TİCARET A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2008

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

Financial assets

Monetary assets for which fair value approximates carrying value:

-Balances denominated in foreign currencies are translated at year-end exchange rates. The fair value of certain financial assets carried at cost, including cash and due from banks, marketable securities plus the respective accrued interest are considered to approximate their respective carrying values.

-The carrying value of the trade receivables net of provisions for uncollectible are considered to approximate their fair values.

Financial liabilities

Monetary liabilities for which fair value approximates carrying value:

-The fair values of short-term bank loans and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

-The fair values of long-term bank borrowings which are denominated in foreign currencies and translated at year-end exchange rates are considered to approximate their carrying values.

28. POST BALANCE SHEET EVENTS

According to the decision of the Board of Vestel Elektronik dated 04.02.2009 its share capital will be increased from TL 175,456 to TL 335,456; the increase will be met in cash and it has been decided that all of the new shares to be issued will be allocated to Collar Holding B.V. It has furthermore been decided that the shares currently held by Collar Holding B.V. will not be sold at the Istanbul Stock exchange for a period of six months following date on which the newly issued shares are quoted at the Istanbul Stock Exchange (“ISE”).

The Group’s new capital structure is as follows:

	Before share capital increase		Cash increase	After share capital increase	
	Shareholding %	Shareholding amount		Shareholding %	Shareholding amount
Collar Holding B.V.	51,59%	90.520	160.000	74,68%	250.520
Other shareholders	48,41%	84.936	--	25,32%	84.936
	100,00%	175.456	160.000	100,00%	335.456