

VESTEL ELEKTRONİK A.Ş.
(VESTEL ELECTRONICS CORP.)

AUDIT COMMITTEE WORKING PRINCIPLES

The Audit Committee which has been established in the bodily constitution of the Company with the decree of the Board of Directors dated 15th June, 2005 in accordance with the communiqué of Article no:19, serial X of the Capital Markets Board (CMB) performs duties to assure the observance of the financial and operational activities in a healthy manner. The objective of the committee which performs its duties as being affiliated to the Board of Directors is to furnish the supervision of processing and effectiveness of the audit of the accounting system and financial information and disclosure of these to the public and the internal control system.

The Audit Committee;

- Ensures the accuracy, transparency, and compatibility to regulations and international accounting standards of the financial statements, footnotes, and other financial information.
- Draws up a report about whether the independent auditing firm and its employees are independent in deed or not and their proficiencies, and submits this to the Board of Directors.
- Carries out the activities of establishment of the internal control system, its supervision, and enhancement of its effectiveness.
- Observes the compatibility to the legal and intra company arrangements.

STRUCTURE OF THE COMMITTEE :

Number of membership : The committee consists of 2 members.

Committee chairmanship : Committee chairmanship is being fulfilled by persons elected among from independent members. In election of the chairman special attention is paid for the fact that this person is someone who has been in a similar position formerly, who possesses a level of knowledge sufficient to analyze the financial statements, who is aware of the accounting standards, and still, who is highly qualified.

Members : Chairmanship function is being fulfilled by a member bearing the title of an independent member. And while the other member of the Audit Committee will be elected among from the independent (who do not serve in execution) members. Both of the members of the Audit Committee have been elected from among the members holding a membership in the board of directors. Members holding a place in the Audit Committee may not undertake a further post in another committee.

Independency: Independency Criteria of the Corporate Governance Principles of the CMB have been considered to be the basis regarding the independencies of the committee members.

Membership term: The Audit Committee is entrusted for a term of 1 year by the Board of Directors. Members whose terms have expired may be elected again.

Advisors: Opinions can be taken from independent experts the fees of whom shall be paid by the company during the exercise of the audit committee activities and seats may be given to expert persons in the committee.

COMMITTEE MEETINGS

Meetings: The Audit Committee assembles at least 4 times in a year. The meetings are ensured to be hold in every quarter following the disclosure of the financial statements.

Secretariat: The secretariat of the Board Of Directors performs duties with the objective of maintenance of the minutes of the meetings to be drawn up, be filed, and the members of the committee be informed in an effective manner.

Reporting: Subsequent to every meeting, the chairman of the committee submits to the Board of Directors a brief of the meeting and the written report related to the activities of the committee.

CRITERIA CONCERNING THE COMMITTEE MEMBERS

Persons with the following qualifications:

- University graduate,
- For at least one member, having a previous experience in accounting and finance management,
- Capable of analyzing financial statements and reports (possessing a capability of reading financial statements),
- Possessing high standards from the ethical point of view and potent to spare time to the company,

can be elected to the Audit Committee.

People who have performed the function of consultancy of the Company previously can not be elected as members to the audit committee, however, they can be employed to be of assistance in duties of the independent advisors of the audit committee.

FUNCTION AND RESPONSIBILITIES

Financial Statement and Clarification of the Public

1. Audits the compatibility of the periodical financial statements and foot notes to the regulations in force and the international accounting standards.
2. Reports to the Board of Directors the changes that have occurred in the accounting policies, internal control system, and declarations to be made to the public which will significantly affect the arrangement of the financial statements of the company.
3. Examines the complaints important enough to affect the financial statements coming from the shareholders and beneficiaries and brings them to a conclusion.
4. Together with the independent auditing firm, examines the accounting policies and principles which will significantly affect the financial statements and the regulation changes which will significantly affect the activities of the Company.

Independent Auditing Firm

5. Appointment of the independent auditing firm, its substitution, follow-up of its activities, and evaluation of them are under the responsibilities of the Audit Committee.
6. Arranges an **evaluation report** including also the independency analysis regarding the independent auditing firm and submits this to the Board of Directors.
7. Maintains the effective operation of the independent auditing firm, and follows-up its studies in all levels.
8. Approves all kinds of fees and indemnities related to the independent auditing firm.
9. Develops written rules concerning the selection of the independent auditing firm and its auditors.

Internal Audit and Internal Control

1. Executes performances in respect of the effectiveness and proficiency of the internal control system of the Audit Committee and reports these studies to the Board of Directors.
2. Maintains the necessary preventive measures to be taken so that the internal auditing is performed in transparency.
3. Arranges the internal auditing report and submits this to the information of top management.
4. Follows-up the performances of the internal control system and observes it to operate effectively.
5. Examines the complaints that may come from the shareholders and beneficiaries regarding the internal control system of the Company and brings them to conclusions.

Monitoring of the Risk Management

1. Determines the existing and potential financial, activity-originated, operational, and legal risks of the Company and performs the follow-up of the function of risk management.
2. Arranges a **Risk Management Report** in terms lasting 6 months in respect of the preventive measures that already are or considered to be taken against the said risks in accordance with the risk management policy of the Company and submits this to the Board of Directors.
3. Establishes a **Risk Committee** as a matter of enhancing effectiveness in risk management when considers this necessary.

Compatibility to Regulations Prescribed by the Laws

1. Observes whether or not the Company activities are executed duly with the regulations and intra company arrangements. Determines the rules to be applied in case of acting contrary to regulations.
2. Receives the complaints arriving in the company related to accounting, internal control, and independent auditing, and the notices on the subjects of accounting and auditing that have been considered to be questionable by the company employees, and ensures their investigation within the frame of the principle of confidentiality.
3. Observes conflicts of interests that may arise between the members of the Board of Directors, executives and other employees, and the concinnity to the intra company arrangements and policies preventing the drawing up of information of trade secret-like feature.