



**İHLAS EV ALETLERİ 2013
ANNUAL REPORT**



ihlas



IHLAS
HOLDING



ihlas 
Ev Aletleri

Let time serve you... just like turning
every "chore" into "enjoyment" when you leave
the work to the expertise of
İHLAS EV ALETLERİ...

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aura
Cleanmax

**Time only serves those
"who know the value of time";**
or in other words,
"those who know the value of cash and time"!

Because that is when
time knows "it is in the right hands"!



MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Greetings Valued Friends,

Many important developments took place in our Company in the year. We would like to share with you some of the more prominent ones.

Our innovative, economic, productive and silent cleaning robot project, for which the design and engineering work was done by our R&D department in 2013 with support from TÜBİTAK, was commercialized and presented to the market in the last quarter.

Our innovative Aura Roboclean and Aura Cleanmax SPLUS cleaning robots with economic, productive and silent cleaning features won first place in the "Red Dot" award ceremony organized in Essen, Germany for healthy and ergonomic design in their own field.

With the Corporate Carbon Footprint report realized in the scope of the ISO 14064 standard, IHEVA took an important step towards reducing its impact on the environment. IHEVA will continue in 2014 with increasing speed and elevated goals to participate in the CDP reporting which it first responded to in 2013. With this important participation the company will be graded on its transparency and performance in the scope of CDP (the Carbon Disclosure Project) and remain among the companies which have responded to the survey.

In the current climate conditions that vary from day to day the sustainability of companies has become vital for investors. Popular opinion shows that companies which reorganize their policies and goals in parallel with the changes in climate will gain more prestige in the coming years and solidify their presence.

Sincerely,

Abdullah Turalı
Chairman of the Board of Directors

 aura
Cebilon

"Knowing the value of time",
Requires above all,
the selection of the "right instruments" for
"the right job";
the "right" instruments
are the "best instruments"

...

We produce home appliances
that provide "the highest performance" for all
jobs!..



BOARD MEMBERS

Abdullah Turalı

Chairman

Abdullah Turalı was elected on May 31, 2012 for a three-year term to serve until the General Assembly at the end of the third year. He is jointly authorized to represent and bind the Company.

Abdullah Turalı was born in Kırklareli in 1956. After graduating from Istanbul Vefa High School, he received a Bachelor's Degree in Faculty of Economics at Istanbul University in 1982. He worked at the Istanbul Branch Office of the Turkish Employment Institution under the Ministry of Labor from 1977 to 1982. Mr. Turalı did his military service from 1983 to 1984. He was self-employed from 1984 to 1994. He then officiated as executive in several departments of İhlas Holding A.Ş. He is currently the Chairman of İhlas Ev Aletleri. Mr. Turalı is married with three children and speaks English.

Abdullah Turalı also serves as the Vice Chairman of İhlas Pazarlama A.Ş., İhlas Pazarlama Yatırım Holding A.Ş., İhlas Madencilik A.Ş., Detes Enerji Üretim A.Ş., Bisan Bisiklet Moped Otomotiv San. Tic. A.Ş., Bisiklet Pazarlama San.ve Tic. A.Ş. In addition to being a Board member at Kristal Kola and Meşrubat Sanayi ve Ticaret A.Ş., İhlas Meşrubat A.Ş., and Armutlu Tatil ve Turizm İşletmeleri A.Ş., he is also the General Manager of Mir İç ve Dış Ticaret Maden San.Ltd. Şti.

Sedat Kurucan

Vice Chairman and Chief Executive Officer

Sedat Kurucan was elected on May 31, 2012 for a three-year term to serve until the General Assembly at the end of the third year. He is jointly authorized to represent and bind the Company.

Sedat Kurucan was born in Ordu in 1960. He completed his primary education in Ordu and secondary education at the Mustafakemalpaşa Middle School in Bursa. He then attended the Atatürk High School for Teachers on Gökçeada, Çanakkale. Mr. Kurucan received a Bachelor's Degree in the Faculty of Mechanical Engineering at Istanbul Technical University in 1982. He completed his Masters Degree on gas turbines at Eskişehir Osman Gazi University and worked at the Turkish Air Force Jet Engine Maintenance Plant in Eskişehir for six years. After having worked at the TUSAŞ F-16 Engine Plant in Eskişehir in Contract and Quality Management under the U.S. Department of Defense for 11 years, Mr. Kurucan retired in 1999. Since then, he has held senior management positions at İhlas Pazarlama A.Ş. and İhlas Ev Aletleri A.Ş., both İhlas Group companies. He is married with two children. He speaks fluent English and basic French. Sedat Kurucan is a member of the Board of Directors of İhlas Pazarlama Yatırım Holding A.Ş.

Mehmet Küsmez

Board Member

Chief Financial Officer

Mehmet Küsmez was elected on May 31, 2012 for a three-year term to serve until the General Assembly at the end of the third year. He is jointly authorized to represent and bind the Company.

Mehmet Küsmez was born in Karabük in 1970. He completed his primary, secondary and high school education in Karabük and graduated from the Karabük Demir Çelik High School in 1987. He received a Bachelor's Degree in the Department of Finance and Accounting, Faculty of Business Administration at the Anadolu University. Mehmet Küsmez began working in the Sirkeci Sales and Distribution Office of Türkiye Gazetesi in 1988. He has been working in middle and senior management positions in the accounting, finance, and planning departments at İhlas Ev Aletleri A.Ş. since 1990. He continues as Chief Financial Officer and Assistant General Manager. Küsmez is married, has two children and is a member of the Corporate Governance Organization of Turkey (TKYD) and the Investor Relations Organization of Turkey (TÜYİD).

H. Alev Volkan

Board Member

Corporate Governance Committee Member

H. Alev Volkan was elected on May 31, 2012 for a three-year term to serve until the General Assembly at the end of the third year.

H. Alev Volkan was born in Istanbul in 1952. She received a Bachelor's Degree in the Istanbul Academy of Economic and Commercial Sciences. She worked as public officer in the personnel service at the Haseki Hospital from 1970 to 1976. Ms. Volkan officiated as Chief Cost Accountant and Accounting Manager at Penyelüks Hasan Gürel Kombine Tekstil İşletmeleri A.Ş. from 1976 to 1994. Following her resignation from this company, she took office at İhlas Holding A.Ş. in February 1994. Alev Volkan holds a Capitals Market Activities Advanced Level License, as well as a Corporate Governance Rating Expertise License. She is currently officiating as the Assistant Financial Affairs Coordinator.

Ahmet Olgun

Independent Board Member

Corporate Governance Committee Chairman

Ahmet Olgun was elected on May 31, 2012 for a three-year term to serve until the General Assembly at the end of the third year.

Ahmet Olgun was born in Istanbul in 1979. He completed his elementary and middle school education in Bursa. He received a Bachelor's Degree in Electronic Engineering at Uludağ University in 2001. Upon completing his military service as an English teacher, Mr. Olgun began his career as Product Manager at Turkey Office of LG Electronics Inc. He worked as Technical Services Manager in Sony Ericsson Mobile Communications AB from 2007 to 2008. He had been Technical Service Manager for Telpa Telekomünikasyon Tic. A.Ş. as of 2009. Ahmet Olgun resigned on March 4, 2013.

Salman Çiftçi

Independent Board Member

Audit Committee Chairman

Salman Çiftçi was elected on May 31, 2012 for a three-year term to serve until the General Assembly at the end of the third year.

Salman Çiftçi was born in Sivas in 1971. He received a Bachelor's Degree in the Department of Economics, Faculty of Economics and Administrative Sciences at Uludağ University in 1993. The same year, he began working as accounting specialist responsible for the bank accounting at İhlas Holding A.Ş. He moved on to serve as tax auditor at BKR Işık Yeminli Mali Müşavirlik A.Ş. in 1996. Mr. Çiftçi resigned in 1997 to take office as assistant accounting manager, and then, accounting manager at İhlas Hayat Sigorta A.Ş.

He officiated as Director of Finance at the foreign-partnered JFK Hospital in 2004. Mr. Çiftçi took his current office as the Group Accounting Manager at the German Hospitals Group, also a foreign-partnered institution, in 2011. Salman Çiftçi is a certified independent accountant and financial advisor. He holds certificates related to the new Turkish Commercial Code and SME IFRS. Mr. Çiftçi is married with two children.

Tolga Sönmez

Independent Board Member

Audit Committee Member

Tolga Sönmez was elected on May 31, 2012 for a three-year term to serve until the General Assembly at the end of the third year.

Tolga Sönmez was born in Ankara in 1973. He received a Bachelor's Degree in Economics in the Faculty of Economics and Administrative Sciences at the Anadolu University in 1996. Mr. Sönmez then completed the Banking and Finance Certificate Program at London Guildhall University. He began his Professional career as a finance specialist at İhlas Holding A.Ş. in 1997. He worked at FFK Fon Finansal Kiralama A.Ş., the leasing subsidiary of Ülker Group, in 2002.

Upon his resignation in 2008, he took up office as finance manager at Baklavacı Güllüoğlu A.Ş. until March 2011. He is currently officiating as Financial Affairs Coordinator at Boer Electronics. Mr. Sönmez is married with one daughter. Tolga Sönmez attended numerous local and international seminars. He also participated as a speaker in the Finance Summits held by the Finance Club of the Middle Eastern Technical University.

A.Murat Memioğlu

Board Member

Corporate Governance Committee Member

Elected to the board to serve from 04.03.2013 to 31.05.2015 and the General Assembly to be held at the end of the second year.

Born in Istanbul on February 9, 1977, A.Murat Memioğlu graduated from the Deniz li Anadolu Lisesi, İzmir Y. Fen Lisesi and Yıldız Technical University, Computer Engineering Department and has been developing CRM, ERP, E-commerce, internet and intranet applications, data mining and a variety of finance system integration projects for 16 years. He has been in administrative positions in many companies and projects in the informatics sector and is currently serving as an IT administrator in a leading e-commerce company. A.Murat has fluent English and introductory level German.

SENIOR MANAGEMENT

Sedat Kurucan

Deputy Board Chairman and General Manager

Sedat Kurucan, born in Ordu in 1960, completed his primary education in Ordu, his secondary education at the Mustafakemalpaşa Middle School in Bursa, and attended high school at Atatürk High School for Teachers in Gökçeada, Çanakkale. Kurucan graduated as a mechanical engineer from the Faculty of Mechanical Engineering at Istanbul Technical University in 1982. He completed his Masters Degree on gas turbines at Eskişehir Osman Gazi University. Kurucan worked at the Air Forces Command, Eskişehir Airplane Engine Maintenance Factory, for six years, followed by eleven-year tenure at the Eskişehir TUSAŞ F16 Engine Factory, on Contract and Quality Matters under the responsibility of the U.S. Ministry of Defense. He retired in 1999 and assumed senior management duties at İhlas Pazarlama and İHEVA and is currently serving as the Deputy Board Chairman and General Manager of İHEVA. He is married with two children and speaks fluent English and basic French.

Ömer Şaban Kamber, **Assistant Professor**

Assistant General Manager, Operations and Technical

Ömer Kamber was born in Siirt in 1965. He completed his education in with a Bachelor's Degree in Mechanical Engineering at Istanbul Technical University and continued on to a Master's Degree with his doctorate in plastic injection molds at Marmara University in 2008.

Dr. Kamber served in various positions at İhlas Ev Aletleri and successfully executed his duties. Also lecturing at Marmara University and Fatih University as a staff member, he is currently as an Assistant General Manager at İhlas Ev Aletleri A.Ş. Dr. Kamber, who has a number of research studies, national and international patents, international articles and notifications and officiates in SCI journals won a reddot design award in his most recent Project in 2013. He is married with two children and speaks English, as well as basic Macedonian.

Bülent Kaya

Asistant General Manager, Planning and Supply

Bülent Kaya was born in Ordu in 1966. Mr. Kaya completed his primary education in Germany and his middle and high school education at Istanbul Bahçelievler High School. He received a Bachelor's Degree in Physics in the Faculty of Science and Literature at Istanbul Technical University in 1989. Mr. Kaya also received a Master's Degree on NDT Methods in the Engineering Department, Faculty of Business Administration at Istanbul Technical University in 1992. He carried out studies at the Çekmece Nuclear Research and Training Center and subsequently worked in private enterprises. Mr. Kaya has been assuming senior management duties at İhlas Ev Aletleri A.Ş. since 1994 and is currently the Assistant General Manager. He is married with two children and speaks fluent English, as well as basic German.

Mehmet Küsmez

Board Member and Assistant General Manager, Financial and Administrative Affairs

Mehmet Küsmez was born in Karabük in 1970. He completed his primary, secondary and high school education in Karabük and graduated from the Karabük Demir Çelik High School in 1987. He received a Bachelor's Degree in the Department of Finance and Accounting, Faculty of Business Administration at the Anadolu University. Mehmet Küsmez began working in the Sirkeci Sales and Distribution Office of Türkiye Gazetesi in 1988. He has been working in middle and senior management positions in the accounting, finance, and planning departments at İhlas Ev Aletleri A.Ş. since 1990. He continues as Chief Financial Officer and Assistant General Manager. Küsmez is married, has two children and is a member of the Corporate Governance Organization of Turkey (TKYD) and the Investor Relations Organization of Turkey (TÜYİD).

Erkan Adıgüzel

Operations Director

Erkan Adıgüzel was born in Bayburt in 1964. He completed his elementary, secondary and high school education in Istanbul. Mr. Adıgüzel received a Bachelor's Degree in Business Administration in English in the Faculty of Economic and Administrative Sciences at Çukurova University in 1993. He officiated as sales representative and foreign trade coordinator, as well as working in the imports department at İhlas Motor from 1993 to 1997. Mr. Adıgüzel has served as executive responsible for operations at İhlas Ev Aletleri A.Ş. He is currently working as Operations Supervisor. He is married with four children and speaks fluent English.

Mehmet Ercan Akgün

Department Supervisor for Materials and Customer Management

Born in 1972 in Istanbul, Mehmet Ercan Akgün also completed his primary, secondary and high school education in the same city. He graduated from Fatih Vatan High School in 1989. Mr. Akgün received a Bachelor's Degree as a construction technician at Karadeniz Technical University in 1992. He also received a Bachelor's Degree in Economics, Faculty of Economics at Anadolu University in 1998. He obtained the independent accountant and public accountant certificate in 2004. Mr. Akgün has been officiating as middle and senior level executive in the Accounting Department at İhlas Ev Aletleri since 1993. He is currently the Department Supervisor for Materials and Customer Management.

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QVac

We produce home appliances
that provide **"the best performance"**
at the **"best prices"!**..



THE BOARD OF DIRECTORS REPORT

Dear Shareholders,

We extend our greetings to our esteemed partners, their proxies, and the honorary participants of our Ordinary General Shareholders Meeting as we present, for your examination and approval, the 2013 Board of Directors and Auditors Reports as well as the Consolidated Financial Statement for our company's 19th fiscal year which have been prepared in accordance with the Capital Markets Board Regulation (Serial II-14.1)

The financial tables and footnotes, prepared in accordance with the Capital Markets Regulation Series: II-14.1 for İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. as of 31.12.2013, have been examined by us and we hereby declare that the financial tables and footnotes included in the Activity Report fully reflect the financial status of the company in complete compliance with regulations.

The project to develop an economic, productive and silent cleaning robot through designs and engineering work by the IHEVA R&D Department was deemed worthy of TÜBİTAK support. The project was completed in 2013 and the product was presented to the market. The Aura Cleanmax and Aura Roboclean SPLUS cleaning robot won first place in its own category among 4 thousand 200 applicants with its healthy and ergonomic design at the "Red Dot" award ceremony organized in the German city of Essen.

The innovative Reverse Osmosis – RO Water Treatment Device Development Project was also deemed deserving of TÜBİTAK support. The commercialization and presentation to the market of this project is planned for the last quarter of 2014.

İhlas Home Appliances, which is conducting intense work to establish an integrated quality management system to include a number of quality standards within its capacity generated a carbon footprint report for the first time this year. As IHEVA we will continue to participate in the CDP reporting, that we responded to for the first time in 2013, at full speed and increased goals in 2014. Thus we will continue to be among companies that are graded by transparency and performance in the scope of CDP (Carbon Disclosure Project) and respond to the survey. IHEVA which has adopted a transparency policy, achieved a D grade in the performance class of the 2013 CDP survey and 64 points in the transparency class completing the first year of participation successfully. Currently IHEVA has reached the finals stages of obtaining the 14001 Environmental Management System, 18001 (Occupational Health & Safety Management Systems) and 14064 Greenhouse Gas Accounting & Verification certificates.

We project that our goals for "Carbon Emission Reduction", which has been internalized by our blue and white collar employees and been accepted as part of our company policy will be reflected in this year's CDP 2014 survey and we will find ourselves in a much more advanced position.

Details on Compliance with the Corporate Governance Principles are included in the annex of the 2013 Activity Report.

JCR Avrasya Derecelendirme A.Ş. evaluated the Corporate Governance practices of IHEVA within the scope of CMB regulations and announced results to the public with a press bulletin on 01.08.2013 in which the level of conformance to the principles was determined to be 8.05 out of 10 and the status was determined to be stable

As a result of the revision work done within the framework of methodology changed by JCR Avrasya Derecelendirme A.Ş. in accordance with the CMB decision our Company's Compliance to Corporate Governance Principles was scored at (7.80) out of "10 full points" with the outlook revised as stable.

Since the company's Compliance with Corporate Governance Principles Grade is over the (7) point threshold our company will remain in BIST Corporate Governance Index (XKURY)

In summary of the report prepared by the Board of Directors concerning common and sustained transactions carried out with related parties in the scope of the change in article 5, clause one of the Capital Markets Board Series: IV No:41 communiqué at the Board of Directors meeting dated March 07,2014; the conditions and unit prices of sales made to related party İhlas Pazarlama A.Ş. were compared to the conditions and unit prices of sales made to parties not in the scope of related parties (foreign and domestic) and the profit rates and previous term appraisal reports, taking into account the effective interest rate resulting in these sales amounts being deemed appropriate to the conditions of the transactions and the market conditions. The conclusion was made that the sale to İhlas Pazarlama A.Ş. was consistent when compared to sales made to unrelated parties in terms of amount, term, total and unit price.

We wholeheartedly thank our valuable partners and employees, the full support and contributions of whom we greatly appreciate.

Sincerely,
The Board

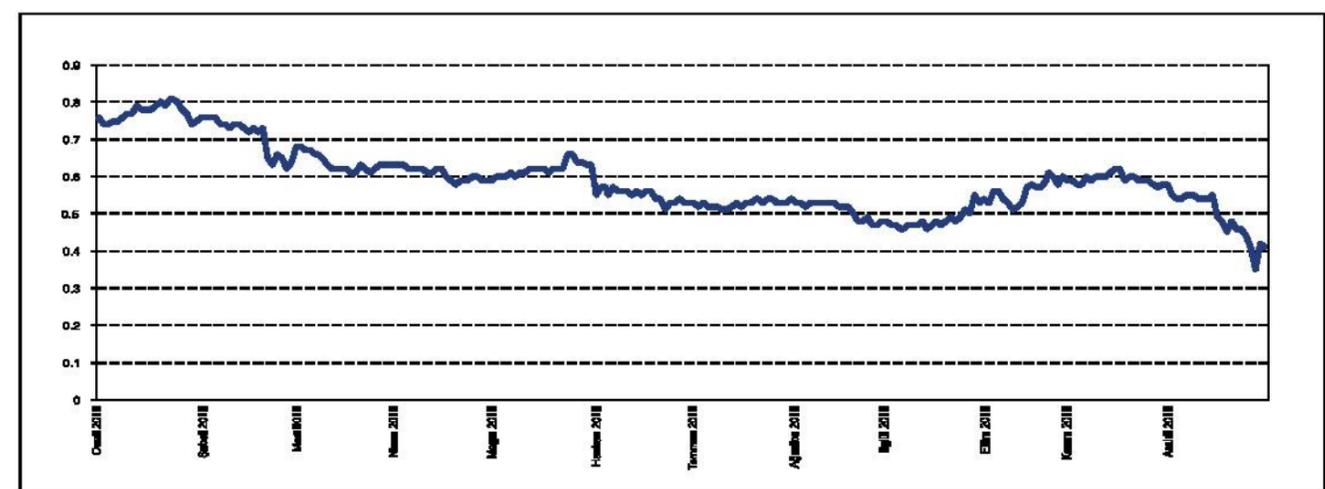
January 1 – December 31, 2013 period; (TL)

	Home Appliance	Mining and Energy	Group Total
Sales Income	107.299.753	797.492	108.097.245
Cost of Sales (-)	(89.328.267)	(840.369)	(90.168.636)
Gross Profit / Loss	17.971.486	(42.877)	17.928.609
Operating Expenses (-)	(11.617.004)	(3.161.366)	(14.778.370)
Other Activities Income	7.075.347	2.082.256	9.157.603
Other Activities Expenses (-)	(11.374.807)	(113.551)	(11.488.358)
Operating Profit/(Loss)	2.055.022	(1.235.538)	819.484
Income / (Expenses) from Investment Activities (net)	(19.762.133)	1.506.830	(18.255.303)
Operation Profit / (Loss) Before Financing	(17.707.111)	271.292	(17.435.819)
Financing Income / (Expenses) (net)	(11.503.252)	1.487	(11.501.765)
Pre Tax Profit/(Loss) from Ongoing Operations	(29.210.363)	272.779	(28.937.584)
Total Assets	218.476.524	48.795.425	267.271.949
Total Liabilities	78.513.449	2.323.213	80.836.662

January 1 – December 31, 2012 period; (TL)

	Home Appliance	Mining and Energy	Group Total
Sales Income	100.789.333	751.027	101.540.360
Cost of Sales (-)	(88.665.299)	(1.577.257)	(90.242.556)
Gross Profit / Loss	12.124.034	(826.230)	11.297.804
Operating Expenses (-)	(9.409.492)	(3.473.846)	(12.883.338)
Other Activities Profits	14.101.408	1.325.181	15.426.661
Other Activities Expenses (-)	(10.283.387)	(1.655.457)	(11.938.844)
Operating Profit/(Loss)	6.532.635	(4.630.352)	1.902.283
Income / (Expense) from Investing Operations (net)	32.085.933	(2.001.159)	30.084.774
Operation Profit / (Loss) Before Financing	38.618.568	(6.631.511)	31.987.057
Financing Income / (Expenses) (net)	(8.254.804)	121.814	(8.132.990)
Pre Tax Profit/(Loss) from Ongoing Operations	30.363.764	(6.509.697)	23.854.067
Total Assets	250.253.882	53.968.816	304.222.698
Total Liabilities	79.494.194	6.601.805	86.095.999

BIST IHEVA Performance



ABOUT IHEVA

Since its beginnings, İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. (IHEVA) has provided consumers with a multitude of small home appliances that focus on human health and basic necessities. Its products facilitate domestic life with effective and comprehensive functionality. With a strong technical staff, the company continues its manufacturing operations at the Cleaning Robots Factory, the Instant Water Heaters and Reverse Osmosis Factory, and the Plastic Injection Mold Facility; all housed in two facilities with a total 21,000-square meter enclosed area in the Beylikdüzü Organized Industrial Zone.

Cleaning robots, reverse osmosis water treatment systems, instant water heaters, carpet cleaners, dry and wet vacuum cleaners, quartz room heaters, and electronic scales are among the core products of IHEVA.

IHEVA offers products to consumers under the Aura, Aura Cleanmax, Aura Roboclean, Aura Cebilon, Aura QVac, and Aura Wdry brands.

All of IHEVA's products are provided to consumers through İhlas Pazarlama A.Ş. sales channels and extensive dealer network with a focus on customer-satisfaction.

IHEVA has completed the necessary work for all the products it is manufacturing regarding their compliance with both national and international quality standards and has certified its compliance through TSE, SGS, UL, TÜV, KEMA KEUR, and NMI certifications. Furthermore, for a long time IHEVA has endeavored to label its products with the CE marking, which aims to protect the environment and consumers in terms of health and safety, and is continuing manufacturing processes in light of these standards.

Manufacturing of the Aura Cleanmax Cleaning Robot began in 1996 and it is the leading product in IHEVA's range in terms of revenue. Likewise, the Aura Cebilon Reverse Osmosis Water Treatment leads the market and is second to none. Similarly, İhlas and its Aura brand also lead the electrical instant water heater market; its water heater is used in millions of homes.

Having always broken new ground in its industry, IHEVA has certified the quality of its Aura Cebilon Reverse Osmosis Water Treatment System with a National Sanitation Foundation (NSF) certificate as a result of meticulous efforts over the last three years.

Founded 55 years ago, the NSF is an independent, non-profit testing and certification institution that sets standards for a series of home and industrial products. This institution has been designated as a Collaborating Center by the World Health Organization (WHO) for drinking water safety and treatment.

Moreover, to confirm the company's reliability and competency in water treatment, IHEVA has applied for membership to the U.S.-based Water Quality Association, which represents companies active in the water treatment industry. The Water Quality Association is an international authority in providing information, education, and product testing

IHEVA products are sold in a total of 49 countries including Kazakhstan, Poland, Germany, Hungary, Malaysia, Uzbekistan, Saudi Arabia, Greece, Malaysia, Uzbekistan, Denmark, Azerbaijan, Italy, Hong Kong and Russia. The total 2013 foreign sales were 9.96 million USD of which 49% was to Turkic countries, 13% to EU countries and 38% to other countries.

In 2014 visits to countries in the scope of fair participation and market research will continue with the priority market being African countries.

The Total Quality Management (TQM) system, being established and applied since 2005, has been extended to cover all company functions and was certified with an ISO 9001:2008 certificate by an international certification company in 2012.

IHEVA's stocks have been listed and traded on the BIST (Borsa Istanbul Stock Exchange) since September 26, 1996. As of 2013 year-end, 74.83 percent of IHEVA's capital was floating freely. IHEVA's stock began trading on the BIST National 100 Index on October 1, 2007 and the Company has been included in the BIST Corporate Governance Index since December 29, 2010.

JCR Avrasya Derecelendirme A.Ş. evaluated the Corporate Governance practices of IHEVA within the scope of CMB regulations and announced results to the public with a press bulletin dated 01.08.2013. In the report the level of conformance to principles was determined as being 8.05 out of 10 and with a stable outlook.

As a result of the revision work done within the framework of methodology changed by JCR Avrasya Derecelendirme A.Ş. in accordance with the CMB decision our Company's Compliance to Corporate Governance Principles was scored at (7.80) out of "10 full points" with the outlook revised as stable.

As a result of scoring above the threshold score of 7 points out of 10 for Compliance with Corporate Governance Principles, our Company will remain in the BIST Corporate Management Index.

The project to develop an economic, productive and silent cleaning robot through designs and engineering work by the IHEVA R&D Department was deemed worthy of TÜBİTAK support. The project was completed in 2013 and the product was presented to the market.

The innovative Reverse Osmosis – RO Water Treatment Device Development Project was also deemed deserving of TÜBİTAK support. The commercialization and presentation to the market of this project is planned for the last quarter of 2014.

The Aura Cleanmax and Aura Roboclean SPLUS cleaning robot won first place in its own category among 4 thousand 200 applicants with its healthy and ergonomic design at the "Red Dot" award ceremony organized in the German city of Essen.

IHEVA moves forward in the importance it places on sustainability and environmental work through myclimate Turkey. With the Corporate Carbon Footprint report completed in the scope of the ISO 14064 standard, the company has taken an important step towards reducing its impact on the environment. İhlas Home Appliances, which is conducting intense work to establish an integrated quality management system to include a number of quality standards within its capacity, generated a carbon footprint report for the first time this year.

In the current climate conditions that vary from day to day the sustainability of companies has become vital for investors. Popular opinion shows that companies which reorganize their policies and goals in parallel to the changes in climate will gain more prestige in the coming years and solidify their presence. IHEVA will continue in 2014 with increasing speed and elevated goals to participate in the CDP reporting which it first responded to in 2013. With this important participation the company will be graded on its transparency and performance in the scope of CDP (Carbon Disclosure Project) and remain among the companies which have responded to the survey.

IHEVA which has adopted a transparency policy, achieved a D grade in the performance class of the 2013 CDP survey and 64 points in the transparency class completing the first year of participation successfully. Currently IHEVA has reached the finals stages of obtaining the 14001 Environmental Management System, 18001 Work Health and Safety Management System and 14064 Greenhouse Gas Calculation and Inspection certificates. We project that our goals for "Carbon Emission Reduction", which has been internalized by our blue and white collar employees and been accepted as part of our company policy will be reflected in this year's CDP 2014 survey and we will find ourselves in a much more advanced position.

IHEVA, which aims to be a company that can fulfill all the requirements of the 21st century, has a corporate governance approach and is a sustainable industrial company also aims to be the market leader in every product it produces. Becoming a prominent industrial establishment of the country by achieving customer satisfaction through design, production, marketing and after sales quality, speed and distinction is a primary goal for the company.

 aura

Wdry

We produced home appliances that have
"the best performance",
with the "longest guaranteed life"!



BRAND AND STANDARD COMPLIANCE CERTIFICATES

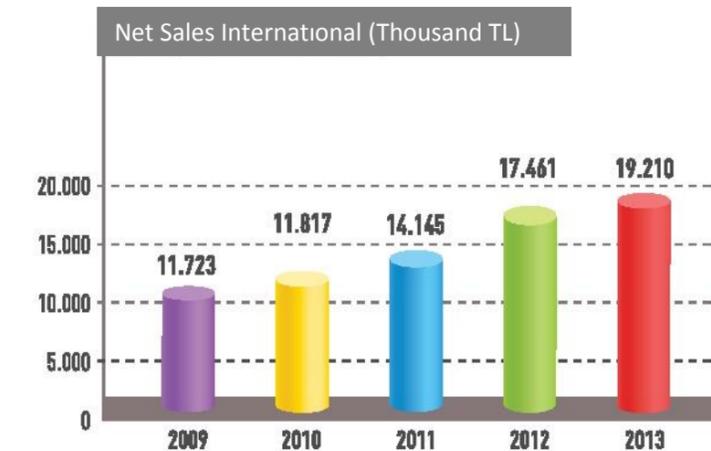
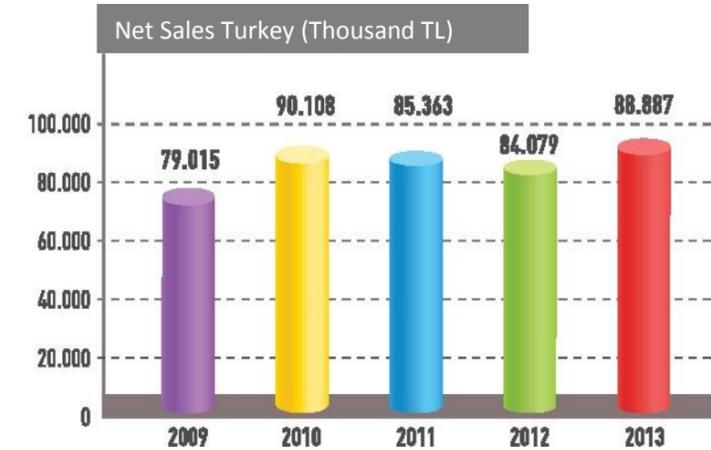
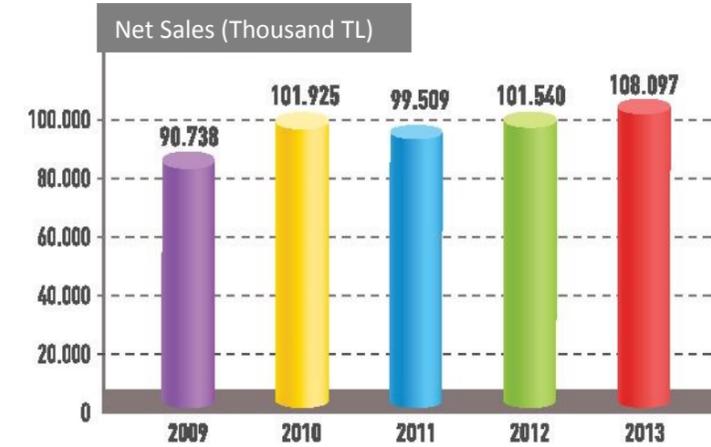


Cebilon | Cleanmax | roboclean | halley | microControl
QVac | Wdry | magneticControl

- CLEANING ROBOT • QUARTZ HEATING STOVE • FLY REPELLENT • REVERSE OSMOSIS SYSTEMS
- INFRARED HEATING STOVE • ELECTRONIC MARKET SCALES
- WATER HEATER (INSTANT WATER HEATER) • BUILT-IN PRODUCTS • CARPET CLEANING
- WET AND DRY VACUUM CLEANER • ELECTRO REFLEXOLOGY MACHINE



FINANCIAL INDICATORS



Data (x 1000 TL)	2013	2012
Net Sales	108.097	101.540
Gross Profit	17.929	11.298
Operating Profit	819	1.902
Reporting Period Profit / Loss	-23.700	17.886
Total Assets	267.272	304.223
Floating Assets	171.428	209.417
Fixed Assets	95.844	94.806
Short Term Liabilities	74.496	78.499
Long Term Liabilities	6.341	7.597
Equity	186.435	218.127
Operation Capital	171.428	209.417
Net Operation Capital	96.932	130.918

Liquidity Ratios		
Current Ratio	2,30	2,67
Liquidity Ratio	1,57	2,17

Profitability Ratios		
Gross Profit Margin	16,59	11,13
Operating Profit Margin	0,76	1,87

Operating Ratios		
Average Debt Collection Per.	257	226
Period of Staying in Stock	176	154

Financial Ratios		
Bank Loans / Total Debt	0,48	0,45
Equity / Total Assets	0,70	0,72
Financial Leverage Ratio	0,30	0,28

Increase of Capital

Tarih	Rights Issue %	Bonus Issue %	Distribution
14/07/2009	100,0	0,0	1,2
06/10/2008	65,00	0,0	1,1
01/11/2007	127,81	0,0	1,8
24/04/2006	0,0	75,58	1,8
19/03/2003	200,0	0,0	1,9
17/06/2002	75,0	75,0	2,2
21/06/2000	0,0	200,0	3,0
22/02/1998	0,0	200,0	3,0
28/08/1997	0,0	200,0	3,0

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Due to being enforced pursuant to the Capital Markets Board Corporate Governance Communiqué No. II-17.1 published on 3.01.2014, the Corporate Governance Principles Compliance Report format has been renewed by Board decision no. 2/35 on 27.01.2014.

Corporate Governance Compliance Report of İhlas Ev Aletleri İmal. San. ve Tic. A.Ş. which has been revised according to the regulation in question, will be presented to the partners at the General Assembly to be held on 28.03.2014.

SECTION I – DECLARATION OF COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLES

Those of the Corporate Governance Principles (principles) from the 1.01.2013-31.12.2013 activity year included in the Corporate Governance Principles Communiqué no. II-17.1 annex;

a) Principles that are required but not able to be practiced and the reason why:

Our Company has complied with all Corporate Governance Principles that are required. Since our company is in the third group, making the necessary arrangements in the core contract concerning minority rights in principle (4.3.7) will be evaluated in the future.

b) Principles that are not required and not applied and the reason:

Principles No: 1.3.11 General Assemblies can be opened to the public, including themedia and stakeholders. These attendees do not have the right to speak; a provision regarding this can be inserted into the Articles of Association.

Reason

General Assemblies are held open to the public including media without their right to speak and while there is no article to this effect in the articles of association, according to article 5 of the “General Assembly Operation Principles and Procedures Internal Directive” presented to and accepted by the 2012 General Assembly held on 29.03.2013; “The meeting can be attended by shareholders who are registered on the list that is prepared in accordance with TCC article 417 or their proxies, board members, auditors if any, Ministry representatives is assigned and persons who are elected or assigned to meeting chairmanship. With the consent of the meeting chairman the company’s other administrators, employees, audio and video technicians and press members may participate in the meeting”.

Principle No: 1.5.2.

Minority rights can be give to those who have less than one twentieth of a share in the capital. The minority rights can be arranged and expanded on in the articles of association.

Reason

The arrangement of minority rights in the articles of association will be assessed at a later date.

Principle: 3.1.2.

In the event of stakeholder rights, which are protected by regulations and contracts, being violated an effective and fast compensation is provided. The Company will provide the necessary help for stakeholder s to utilize such mechanisms as compensation. Also the company shall create a compensation policy for employees and disclose this to the public via the corporate internet site.

Reason

The company provides effective and fast compensation in the event of stakeholder rights, which are protected by regulations and contracts, being violated and provides the necessary help for them to utilize this benefit. Also the issue of developing a compensation policy for employees will be assessed at a later date.

Principle 3.2.1.

Models to encourage participation in the company management for stakeholders, especially employees, will be developed in a way that is not disruptive to the operations. The models that are adopted will be included in the company’s internal organization or articles of association.

Reason

The issue of developing models to encourage participation in the company management and the inclusion of this in internal organization and the articles of association will be evaluated at a later date.

Principle 4.2.8.

The company is insured against damages that may be sustained as a result of board member faults in an amount that exceeds 25% of the company capital and this shall be disclosed on the PDP.

Reason

Insuring the company against damages that may be sustained as a result of board member faults in an amount that exceeds 25% of the company capital is being considered.

Principle 4.3.9.

The company shall determine a target rate for the participation of women in the board of directors which is no less than 25% and a timeline in which to work towards this goal. The board will assess the progress being made towards this goal on a yearly basis.

Reason

There is one woman among the board members. Pursuant to the principle the rate has been determined as 25%. This rate is planned to be reached in the future.

Principle 4.4.7.

The board members having another duty/duties outside the company shall be bound by certain rules and restrictions.

Reason

While board members taking on a duty or duties outside of the company has not been bound by certain rules and restrictions, the practices as such of the administrators are being carried out with particular care not to disrupt their existing duties.

There are no conflicts of interest generated by not fully complying with the principles specified above. The company has plans to change its management practices in the future to conform to these principles. If there is a significant change in the explanations provided above during a term it will be included in the interim activity reports.

Our company continues to participate in training, panels and seminars in order to follow the developments in Corporate Governance Principles and increase compliance and plans to continue this participation in the future.

A contract was signed with the JCR Avrasya Derecelendirme A.Ş. on December 8, 2010. As a result of the scoring work that was done our company was included in the ISE Corporate Management Index on December 28, 2010.

In the report that was prepared as a result of the scoring done by JCR Avrasya Derecelendirme A.Ş. , our Company’s Corporate Governance Applications were assessed in the scope of CMB regulations and our CMB Corporate Governance Compliance score was determined to be 8.05 with a Stable outlook. The numerical compliance values for the four main sections were determined as;

Shareholders	7,55
Public Disclosure and Transparency	8,59
Stakeholders	7,61
Board of Directors and Administrators	8,21

In accordance with the decision made by the Capital Markets Board (BOARD) in meeting 4/105 on 01.01.2013, the scoring methodology has been changed.

As a result of the revision made by JCR Avrasya Derecelendirme A.Ş. in the framework of the new methodology, our company’s general compliance to the Corporate Governance principles was scored as 7.80 over 10 full points and a stable outlook. According to JCR-ER’s methodological infrastructure and notation presentation, the company’s revised Corporate Governance Principles Compliance score corresponds to the [AA (Trk)/Merit] category in terms of convergence level and [bb/Good] in terms of degree. Our new compliance scores revised according to the changed methodology are provided below. The compliance value in numbers of the four main sections are:

Shareholders	7,31
Public Disclosure and Transparency	8,38
Stakeholders	7,38
Board of Directors and Administrators	7,90

SECTION I - SHAREHOLDERS 2. Shareholder Relations

Structured according to the CMB Corporate Governance Principles, the Corporate Governance Committee recommendations, and the Board of Directors decision, the Shareholder Relations department surveys and monitors all matters regarding exclusive public disclosures; responds to requests from investors, financial analysts, journalists, and people from similar industries; and actively utilizes the Company’s website for public disclosures.

Shareholders generally ask questions about the performance of stocks, the Company’s new investments, and the operations of subsidiaries.

In the scope of the Capital Markets Board Communiqué no. II.17-1, two personnel with Advanced Capital Markets Board Activities Licensing work in the Investor Relations Department. The Investor Relations Department operates under the supervision of Board of Directors Managing Member , Financial Affairs Director and Assistant General Manager Mehmet Küşmez and the contact information for the department is as follows:

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Investor Relations Dept. Manager Uğur Kurt
Investor Rel.Dept. Supervision İbrahim Tutar
Telefon 0212 875 35 62
Faks 0212 875 39 87
E-posta yatirimci@iea.com.tr

Correspondence Address : BOSB Mermerciler Sanayi
Sitesi 7. Cad. No:12 34524 Beylikdüzü / İstanbul

In 2013 41 requests were received from shareholders via
e-mail and phone.

The main duties of the Investor Relations Department are
as follows;

- Making sure that the correspondence between the
investors and partnership, other information and
documents are maintained in a healthy, secure and
current form.
- Responding to the written requests of partnership
shareholders concerning the partnership.
- Preparing the documents that need to be presented to
the shareholders concerning the general assembly
meeting for their information and review and taking the
necessary precautions to make sure that the general
assembly is held in compliance with relevant regulations
the articles of association and other company internal
rules.
- Supervising and monitoring the carrying out of all
obligations set forth by the capital markets regulations
including all matters to do with corporate governance and
public disclosure.

2.2. The Use of Shareholders Rights to Obtain Information

During the period the questions of shareholders about the
company's operations in general and stock exchange
performance have been in line with regulations.

Shareholder requests for information are assessed within
the framework of regulations and principles by the
relevant department and responded to with urgency.
Developments affecting shareholders' use of rights are
discussed in the Company Information Disclosure Policy.

Although the Articles of Association do not contain
regulations regarding a special auditor, there have been
no requests to appoint a special auditor for this reporting
period or any previous reporting periods.

2.3. General Assembly Meetings

The Ordinary General Assembly for 2012 was held on
Friday March 29, 2013 at the company headquarters at
10:00.

The invitation to the meeting was announced in the
framework of regulations and principles, on 07.03.2013
with a PDP Material Disclosure in the Turkish Commercial
Registry Newspaper no 8273 dated 07.03.2013 and by
EGKS.

The attendance quorum from the relevant articles of the
Turkish Commercial Code was met, with 27.19 percent of
stakeholders attending the meeting% 27,19.

Prior to the meeting, shareholders were provided with the
Board of Directors report, the auditors' report and the
summary of the independent auditors report, the financial
statements, and the profit distribution proposal for 2012
from the Company website. Also, the above information
was shared with shareholders through the General
Assembly Disclosure Document page on the website, the
Public Disclosure Platform (KAP) and EGKS.

Shareholders did not present questions outside the agenda
nor were any proposals submitted.

The Articles of Association do not include provisions that
allow the General Shareholders Meeting to take important
decisions on matters such as the divestiture, sale,
purchase, or lease of assets. The Company's Board of
Directors acts in accordance with current legislation and
the Articles of Association for matters pertinent to non-
divestiture of assets in order to perform the responsibilities
outlined in the Articles of Association regarding purpose
and subject, and in matters requiring material disclosure,
discloses information to the public through ISE.

During the Company Ordinary General Assembly held on
29.05.2013 the following Articles of Association articles
were accepted by majority vote;

Article 3 (Purpose and Subject) approved by the Capital
Market Board and the T.R. Ministry of Customs and Trade,
Article 4 (Company Headquarters and Branches), Article 6
(Description of Capital and Shares), Article 8 (Transfer of
Stocks), Article 9 (Concessions), Article 11 (Board of
Director Meetings and Quorum for Meetings and
Decisions), Article 12 (Duties, Representation, and Binding
Rights of the Board of Directors), Article 14 (Auditors),
Article 15 (Duties of the Auditors), Article 16 (Auditor Fees),
Article 19 (Having a Commissioner Present at the
Assembly), Article 23 (Assignment of Proxy), Article 25
(Manner of Using Votes), Article 27 (Annual Reports),
Article 29 (Profit Distribution), Article 31 (Reserves), Article
33 (Legal Provisions).

The announcement for the General Assembly is made at
least three weeks prior to the date of the assembly, using
all channel of communication, including electronic
communication in addition to the ways outlined by the law,
in order to reach maximum number of shareholders
possible.

Other individuals responsible for notifications and
explanations on the company internet site, as well as the
general assembly announcements, in accordance with
the company regulations; and persons responsible in the
preparation of financial tables must be present at the
meetings to provide information and respond to
questions.

Along with the General Assembly announcement and the
notifications and disclosures the Company must report
according to the law, the following areas are shared with
the shareholders:

- Total number of shares and voting rights, as well as
privileged shares in the Company capital, if any, and the
number of shares and voting rights representing each of
the privileged share groups as of the date of the
announcement,
- Changes in the management and activities of the
Company and/or the Company's subsidiaries and joint
ventures that will affect the Company's activities
significantly, and that have occurred in the past fiscal year
or is planned to take place in the next fiscal year and the
reasons for these changes.
- If the dismissal, change, or election of any Board of
Directors members is on the General Assembly agenda,
reasons are given for dismissal and/or change; and
information on the Board of Directors members,
candidates and partners including resumes, the duties
they have carried out over the past ten years, their reason
for departure, the nature of relations with the partnership
and relevant parties, whether or not they are independent
and if they are elected as board members any other
information that could affect the partnership.
- Requests of the partnership shareholder s concerning
the placement of a matter on the agenda submitted in
writing to the investor's relations department, and if the
matter is not accepted the reason for rejection.
- If amending the articles of association is on the
agenda, then the Board of Directors decision, as well as
the former and updated version of the articles of
association are shared.

General Assembly agenda items are to be stated clearly
in such a way that will not result in different interpretations.
Phrases like "other" and "various" should be avoided in
the agenda. Information to be shared prior to the General
Assembly should be given with reference to the relevant
agenda item.

The General Assembly should be organized so that it
encourages the participation of shareholders, does not
create inequality, and incurs minimal cost to attendees
and shareholders. With this in mind the General
Assembly is held at the location where the majority of
shareholders are located and it is stated as such in the
Articles of Association.

When preparing the agenda, the Board of Directors
should take into consideration requests for topics to be
included received in writing by the Shareholder Relations
Department from shareholders. If the Board of Directors
do not accept the inclusion of topics proposed by
shareholders in the agenda, the topics that have been
rejected and the reasons for not accepting them must be
explained during the General Assembly. The Chair of the
General Assembly should try to ensure that topics on the
agenda are conveyed in a subjective, clear,
understandable, and detailed manner during the General
Assembly.

Shareholders are given equal opportunities to express
their thoughts and ask questions. The Chair of the
General Assembly ensures that all questions asked by
shareholders during the General Assembly, given that
answers do not involve dispensing trade secrets, are
answered then and there. If the questions asked are not
related to the agenda or if they are complex and
comprehensive enough that they cannot be answered
immediately, the Shareholder Relations Department
should provide a written answer within 15 business days.
All of the questions asked during the General Assembly
and the provided answers are announced on the
partnership internet site by the Investor Relations
Department within 30 days at the latest after the general
assembly.

The Company should establish and submit its donation
and aid policies for approval. Shareholders should be
notified of the amounts of all donations and aid given
made during the reporting period, as well as the
benefactors, in line with the policy approved by the
General Assembly. Also reported are any changes to the
policy as a separate item in the agenda. General
Assemblies can be opened to the public, including the
media and stakeholders. These attendees do not have
the right to speak; a provision regarding this can be
inserted into the Articles of Association.

2.4. Voting Rights and Minority Rights

While there is no article in the articles of association
concerning privileged shares the owners of the A Group
shares have the privilege to determine the majority of
Board of Director members.

If mutual affiliation is an issue no votes are used in the
general assemblies of these companies.
Minority shares are not represented in the management.
The Articles of Association do not contain any articles
concerning minority shares.

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The matter of making a change in our company's governance applications in the scope of this principle will be assessed in future terms. Since there is no such article in our Articles of Association there are no conflict of interests.

2.5. Dividend Rights

The Company does not have any dividend privileges. The Company has declared its dividend policy to the public and shareholders during the General Assembly. It is included in the Annual Report. The dividend policy can be found on the Company website and the Activity Report.

The Company Board of Directors made the following decision concerning the results of the 2012 fiscal year during the 08.03.2013 meeting and submitted it for approval to the general Assembly on 28.03.2013.

At the end of the 2012 fiscal year our period net profit in the consolidated financial statement which was prepared in accordance with the Capital Markets Board Series XI, No 29 Communiqué International Accounting/Financial Reporting Standard was 20,292,048 TL.

In our legal records in accordance with Tax Procedure Law we have a net period profit of 351,780.27 TL.

After deducting past year losses from the 2012 year period profits there is no distributable profit left therefore the Board recommendation not to distribute profits was accepted by the General Assembly.

The Profit Distribution Policy of İhlas Ev Aletleri İmal. San. ve Tic. A.Ş. for 2013 and following years, which has been renewed in the scope of the No 6362 Capital Markets Board Law articles 19 and 20 and the Profit Share Communiqué no. II-19.1 dated 23.01.2014 issued pursuant to these articles, the Profit Share Guide and the Articles of Association will be submitted to the Ordinary General Assembly for approval in the meeting to be held on 28.03.2014.

PROFIT DISTRIBUTION POLICY

Profit distribution for 2013 and following years has been determined as below and will be submitted for approval at the first general assembly.

a) Taking into consideration our Company's growth trend, profitability, strategic goals, investment projects, and funds needed for the working capital, the minimum payout ratios identified by the Capital Markets Board, in line with the Turkish Commercial Code, Tax Procedure Law, Capital Markets Law, Capital Markets Board resolutions, and similar regulations, as well as the relevant articles of the Company's Articles of Association, will be distributed.

b) Unless reserves required by law and shareholder primary dividends are set aside according to the Articles of Association, no other reserves may be allocated and no profits may be carried over to the following year. In addition, members of the Board of Directors, officers, employees, or laborers may not receive shares from the profit, unless primary dividends are distributed.

c) If a decision to distribute profits is made, the Company's Board of Directors decide on whether the distribution will be done in cash and/or in bonus shares. This decision will be subject to the approval of the General Assembly. If it is decided that the profit shares will be distributed in cash it may be paid in equal or different regular installments on the condition of being decided at the same General Assembly. The number of installments are decided by the General Assembly or by the Board of Directors if given clear authority.

d) The period for paying out profit shares is submitted for General Assembly approval by the Board of Directors. Once approved by the General Assembly, dividends will be paid out to shareholders on the date determined by the General Assembly, without exceeding the legal time frame and complying with regulations.

e) On the condition that it conforms with the Capital Markets Law and is authorized by the General Assembly, the Board of Directors can distribute dividend advances for the current year. The authority to distribute dividend advances given to the Board of Directors by the General Assembly is limited to the year in which it was issued. Unless the dividend advances from the previous year are fully deducted, additional dividend advances or distribution of any dividends may not occur.

2.6. Transfer of Shares

All of the shares that comprise our company equity are issued to bearer and there is no limitation on the transfer of shares issued to bearer.

TRANSFER OF SHARES:

Article-8:

For the shares of Group A shareholders to be transferred, the shareholder who wishes to transfer their shares must apply to the Board of Directors. The Board of Directors first offer these shares to other shareholders in Group A at the share value of the date of the application. If none of the shareholders in Group A purchase the shares within one month, the shares can be sold to third parties. Any appropriation made to the contrary is invalid and will not be registered in the share ledger.

Shares in Group B can be transferred freely, in line with the Turkish Commercial Code and the Capital Markets Law.

There are no provisions in the Company's Articles of Association that restrict the transfer of shares.

SECTION III- PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. The Company Website and Contents

The company internet address is www.iaa.com.tr.

The Company website is used actively for public disclosures. The information posted on the website is constantly updated. As per provisions of relevant regulations, the information posted on the

Company website is consistent with the information disclosed; it does not contain contradictory or inaccurate information. The address of the Company website is on the Company's letter head.

The Company website includes information on the trade registry, current status of shareholder and management structures, detailed information on privileged rights, dates and issue numbers of trade registry gazettes where amendments are published, the current version of the Articles of Association, material events disclosures, financial statements, Annual Reports, registration statements, public offering circulars, General Assembly agendas, attendance sheets and meeting minutes, and the voting by Proxy form. Moreover, information on the Company's dividend policy, disclosure policy, donation and aid policy, transactions carried out with related parties, the Code of Ethics, remuneration policies for Board of Directors members, executive managers, and managers, as well as the Committees formed within the Board of Directors, members and responsibilities of these Committees, and their work principles is also listed on the Company website. Information regarding the past five years can be found on the Company website.

Our website is also available in English for the benefit of our foreign investors. The Shareholder Relations Unit is responsible for updating, changing, and adding to the Corporate Governance and Investor Relations sections of the Company website.

3.2. Annual Report

The content of the Annual Report is prepared according to international standards, Capital Markets legislation, and CMB Corporate Governance Principles. The Annual Report is then submitted for the approval of the Board of Directors. The Annual Report is made public on the Company website.

Capital markets participants may obtain the printed version of the Annual Report in Turkish or English from the Investor Relations Department, if requested.

Annual reports are prepared in detail, so that the public can access accurate and complete information on the activities of the Company.

The Company pays the utmost attention to ensuring that the Annual Report contains information on at least the following topics:

- Area of activity
- The industry in which the Company is active, as well as the Company's position in the industry
- The Company's financial status and analysis and evaluation of activity results
- Evaluation of the rating Company, if available
- Detailed explanation of foreseeable risks related to the Company's activities
- Duties and responsibilities, duties outside the Company, and Curriculum Vitae of managers and Board of Directors members and also information regarding their compliance with the rules set forth by the Company regarding positions held external to the Company
- Distribution of roles among Board of Directors members and their duties and rights
- Duties of managers and Board of Directors members held outside the Company and the declaration of independence from Board of Directors members
- Committee members of the Board of Directors committees, meeting frequency, work principles, on-going activities, and Board of Directors' evaluation of committee efficiency,
- Number of Board of Directors meetings during the year, and the participation of the Board of Directors members at these meetings
- Explanations on any administrative sanctions and fines given to the Company or the members of the Board of Directors due to non-conformance with legal provisions, if any
- Changes to any laws that may affect Company activities significantly
- Important suits filed against the Company and possible outcomes
- Any conflict of interest between the Company and any organizations from which it receives services like investment consultations or Company ratings and any precautions taken to prevent these conflicts of interest
- Reciprocal shareholdings exceeding five percent
- The Company's corporate social responsibility activities related to employees' social rights, vocational education, and any other activities that have a social or environmental impact
- In order for shareholders with majority shares, Board of Directors members, executive managers, and the spouses and relatives by blood or marriage up to second degree of

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

these persons to compete or perform actions that may result in a conflict of interest with the Company or any of its subsidiaries, the General Assembly must approve these actions before hand.

- The Company's profit distribution policy
- If the Board of Directors proposes to not- distribute profits to the General Assembly, information on the reasons underlying this proposal along with the use of the profit is given
- The existence, running, and efficiency of internal controls and internal audits
- Justification of why the Chairman of the Board of Directors also holds the position of Chief Executive Officer or General Manager, as applicable
- The Board of Directors is responsible for ensuring that the Company reaches the operational and financial goals predefined and disclosed to the public. If these goals are not achieved then reasons are given
- Remuneration and all other benefits provided to Board of Directors members and executive managers.

SECTION IV - STAKEHOLDERS

4.1. Informing Stakeholders

Stakeholders are individuals, companies or interests groups like employees, creditors, customers, suppliers and nongovernmental organizations which are relevant to the company reaching its goals or in their operations. The company protects the rights of stakeholders that are organized by regulations and mutual contracts in its operations and activities. In situations where the rights of stakeholders are not protected by regulations and mutual contracts the stakeholder rights are protected in the framework of good will rules and company resources. All of the questions asked by stakeholders in the period were responded to by the relevant departments. No special setting was created for this, the information was relayed through the existing channels. The company and relevant stakeholders communicate about the issues which concern them in meetings, via e-mail or by informing BIST. The company e-mail address info@iea.com.tr has been used most actively in this. Every precaution to maintain customer satisfaction in the marketing and sale of goods and services has been taken. Issues concerning goods or services purchased by customers are handled quickly. Quality standards are complied with and protected in goods and services.

The confidentiality of customer and supplier information is maintained under commercial secrets. All of the quality work being conducted in our affiliates have been conducted in this scope and maintained in current form. Internal training was provided and all consumer complaints were handled with a "consumer is always right" approach.

4.2. Participation of Stakeholders in Management

Extensive weekly quality meetings are attended by teams from production, supply, after sales service, and management. Stakeholders are encouraged to participate in management by examining the quality of products and the after sales services.

We anticipate the establishment of models that encourage the participation of stakeholders (primarily Company employees) in management without impeding operations. With this in mind, we have taken steps towards the effective involvement of employees in management by providing them with training seminars.

These seminars are conducted by experts in areas that include learning about the Company, developing learning skills, dealing with change, human relations, and business, among others. Our vocational education activities for employees are ongoing.

4.3. Human Resources Policy

Based on the belief that investment in people is always rewarded, our Company's human resources policy aims to create a productive, knowledgeable, and optimally-performing team, open to continuous improvement. Moreover, our Company's Board of Directors adopts and implements the following principles in full, as per the CMB Corporate Governance Principles, Section III, Article 4:

- Providing equal opportunities for employees
- Informing employees of their employee rights, career and Company opportunities
- Providing a safe work environment for employees
- Having no discrimination between employees and preventing maltreatment in the workplace

As part of our human resources policy, Mr. Necati Şahin acts as the human resources representative and manages employee relations.

There have been no specific complaints from employees with regard to discrimination.

On December 22, 2010, the Board of Directors evaluated a draft study prepared by the Human Resources unit on revising the existing personnel guidelines and drawing up an updated set of guidelines, defining such matters as appointments, promotion, advancement, reward, motivation and punishment (warnings, termination of employment, etc.) and including them in the guidelines. This study has been incorporated into the Company Quality Manual and put it into force as of the date of decision.

Information about the training provided to personnel in 2013 for requirements and vocations;

- 293 personnel were provided with 1,424 hours of required work health and safety training.
- In terms of vocational training 26 personnel were given 219 hours of training.
- The total of all training provided to 291 personnel was 3,377 hours for an average of 12 hours per person.

4.4. Code of Ethics and Social Responsibility

The Company's Code of Ethics has been disclosed to the public via the website.

Code of Ethics

Our Board of Directors proposes that the Company must show that capital markets are reliable above all else; thus, the Code of Ethics is extremely important. However, the precedence of the law, and thus the need to be an advocate of the law, must come first in the principles. Moreover, members of our Board of Directors propose that the Company's general manager, chief financial officer, and accounting and finance department managers must do the following:

1. Provide complete, fair, accurate, timely, and clear information in all reports and documents disclosed to the public and submitted to the regulators of capital markets where the Company is registered
 2. Act in compliance with all laws, regulations, and principles to which the Company and its shareholders are bound
 3. Act according to the letter and spirit of these principles of ethics and strive to establish a corporate culture that sets the foundation for compliance with laws and Company policies in all business activities of the Company
- Furthermore, individuals who may be considered as having inside knowledge must maintain the confidentiality of information included in financial statements not disclosed to the public according to the Code of Ethics. A member of the Board of Directors may not disclose confidential information or information with trade secret status regarding the Company to the public.

Our employees:

- Are honest, reliable, ethical individuals who care about moral values and who do not compromise these values under any circumstance
 - Perform their responsibilities in Company departments or units in a disciplined, attentive, dedicated and objective manner while abiding by the confidentiality principles for the benefit of the Company
 - Fulfill their responsibilities to the best of their abilities in order to help increase Company profitability and market share
 - Act, speak, and dress reasonably and properly
 - Interact with others, both within and outside the Company, in a courteous, proper, modest, active, and positive manner; manifesting these characteristics in all relationships
 - Abide by laws, professional principles, and relevant legislation
 - Evaluate different opinions, points of views, and suggestions in an open minded manner to find a middle ground and to decide upon the most effective, sound, and applicable decisions for the Company
 - Forego all types of illegal activities
 - Refrain from engaging in behavior that is contrary to justice, sincerity, integrity, reliability and social responsibility principles
 - Cooperate with other employees towards common goals by communicating with them in a respectful and considerate manner while conducting their duties
 - Are obliged to decline offers for personal profit immediately and report them to relevant authorities and their superiors
 - Are obliged to decline gifts from existing or potential customers and suppliers, aside from at conventions
- As a manufacturing Company, it is the common goal of management and all of our employees to remain up to date with global quality standards, to produce green and energy efficient products, to design ergonomic products that ease the everyday lives of people, and to manufacture quality products rather than to control quality.
- Checking Compliance with the Code of Ethics
- The employees must take the requisite measures to prevent the violation of the Code of Ethics in any way.
 - The employees must report any situation where they suspect that violation of the Code of Ethics has occurred to executives or the Internal Auditing Manager.
 - The Internal Auditing Department ensures accordance with the Code of Ethics, policies and procedures of the Company in cooperation with the Legal (or Company lawyers), Accounting-Finance, Human Resources and other departments.

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• The Internal Auditing Manager reports directly to the Audit Committee and offers an independent opinion.

Sanctions to be Enforced in the Event of a Violation of the Code of Ethics As investigating a violation of the Code of Ethics is a delicate matter requiring expertise, it is the responsibility of the Audit Committee.

• The Internal Auditing Manager submits regular reports of any violations, and any corrective and preventive actions taken, to the Audit Committee.

• If allegations regarding employees are criminal, the Committee acts in cooperation with the Legal Department or Company lawyers and conducts the investigation jointly with them.

The email address etik@iea.com.tr, forwarded to the Audit Committee, was created to allow our stakeholders, consisting of shareholders, customers, suppliers and personnel, to report transactions not conforming to the legal or ethical values of our Company.

Disciplinary Penalties

• In case of violation of the Code of Ethics, our Company will make an effort to determine the most appropriate disciplinary penalty for the violation, within the framework of the Personnel Guidelines.

• Generally, a warning letter will be sent for a first-time and non-indictable offense.

• With more serious violations, penalties such as issuing a letter of caution and termination of the employment contract may be considered.

• Disciplinary penalties are not restricted solely to cases of violation of the Code of Ethics. There are also penalties for other matters; these are included in the Personnel Guidelines.

Social Responsibility

Our Company complies with laws and regulations pertaining to public health, the environment, the consumer, and the Code of Ethics when supporting economic development and working towards our goal to improve the quality of life. Our Company employs no child workers, prevents all types of forced labor and labor under pressure and is non-discriminatory in the recruitment and employment processes.

Our Company promotes an approach of prevention before damage in environment-related matters.

Our Company follows environmental, regional, and public social projects and anticipates leading in this area through supporting appropriate projects.

Our Company separates waste at its source according to the Packaging Waste Regulation and contributes to recycling by giving packaging waste to licensed companies. In order to spread a more effective environmental responsibility, our Company has a packaging waste certification contract with Consumer and Environmental Education Foundation (TÜKÇEV) to raise public awareness about decreasing packaging waste at its source, collecting and recycling packaging waste, environmental issues, developing environmental sensitivity, developing projects and training activities regarding recycling.

IHEVA continues to increase the significance of sustainability and environment work with myclimate Turkey. With the Company Carbon Footprint report prepared in accordance with the ISO 14064 standard the company has taken an important step towards reducing its impact on the environment.

İhlas Home Appliances, which is conducting intense work to establish an integrated quality management system to include a number of quality standards within its capacity generated a carbon footprint report for the first time this year. Moreover this data was reported for the first time this year in participation of the CDP (Carbon Disclosure Project). Having integrated a production approach with high environmental awareness and an increasing quality value IHEVA will continue its myclimate work.

There was no damage to the environment during this period. Our Company had no activities that required an environmental impact evaluation report.

SECTION IV – BOARD OF DIRECTORS

5.1. Structure and Composition of the Board of Directors

The description of the Board of Directors in Article 7 of the Articles of Association of our Company is as follows.

“Administration and operations of the Company will be executed by a Board of Directors, whose number of members can range from five to eleven. Each of the members will be selected by the General Assembly.

Main criteria, election, term of duty, work principles, areas of responsibility, and so on are performed according to the provisions stated in the Turkish Commercial Code, Capital Markets Law, and other related laws.

The number and qualifications of independent members allowed on the Board of Directors is determined based on corporate governance regulations stated in the Capital Markets Law. Establishment of committees, responsibilities of these committees, and their work principles are composed in line with the provisions of the Turkish Commercial Code, Capital Markets Law, and regulations related to corporate governance in the Capital Markets Law, as well as other laws.”

As stated above, our Company’s Board of Directors includes executive and non-executive members; more than half of the members are non-executives. The chairman of the Board of Directors is not the General Manager. Our Board of Directors consists of seven members, three of whom are independent.

The table below lists the names, responsibilities, and terms of duty of the members of the Board of Directors elected at the General Assembly held on May 31, 2012.

Name, Surname	Title	Date Elected	Term of Duty
Abdullah Turalı	Chairman of the Board	31.05.2012	31.05.2015
Sedat Kurucan	Vice Chairman of the Board and General Manager	31.05.2012	31.05.2015
Mehmet Küşmez	Memb. of Board and Chf.Fin. Officer	31.05.2012	31.05.2015
H.Alev Volkan	Board Member	31.05.2012	31.05.2015
Tolga Sönmez	Board Member	31.05.2012	31.05.2015
Salman Çiftçi	Board Member	31.05.2012	31.05.2015
Ahmet Olgun	Board Member	31.05.2012	04.03.2013
A.Murat Memioğlu	Board Member	04.03.2013	31.05.2015

Murat Memioğlu has been elected to replace Ahmet Olgun, who resigned from his duty on March 4, 2013, for the remainder of Ahmet Olgun’s term of duty. With Board of Directors decision number 9 dated April 19, 2012, the duties of Nomination Committee have been given to the Corporate Governance Committee. With decision number four dated May 2, 2012, the Committee has nominated three independent members. The Committee has informed the Board of Directors that the these candidates fulfill the criteria set forth in Article 4.3.7 of Communiqué Serial IV, No: 56 of the Capital Markets Board and that they have the necessary technical education, experience, and knowledge to fulfill their roles as required. This issue has been presented to the shareholders during the 2011 Ordinary General Assembly held on May 31, 2012, and their approval has been sought.

There were no circumstances in the 2013 operating period that jeopardized the independence of the independent members of the Board of Directors in any way.

The responsibilities carried out by the members of the Board of Directors outside the Company are regulated by the Turkish Commercial Code with no additional restrictions. Curriculum Vitae and independence statements of the Board of Directors Members are as follows:

Abdullah Turalı, Chairman of the Board of Directors

Elected on May 31, 2012 for a three-year term, until the General Assembly to be held at the end of the third year. Jointly authorized to represent and bind the Company.

Abdullah Turalı, born in Kırklareli in 1956, graduated from Istanbul Vefa High School and then from the Economics Faculty at Istanbul University in 1982. He worked at the Ministry of Labor Employment Agency’s Istanbul branch office between 1977 and 1982.

Mr. Turalı did his military service from 1983 to 1984. He was self-employed from 1984 to 1994. He then officiated as executive in several departments of İhlas Holding A.Ş. He is currently the Chairman of İhlas Ev Aletleri. Mr. Turalı is married with three children and speaks English.

Abdullah Turalı also serves as the Vice Chairman of İhlas Pazarlama A.Ş., İhlas Pazarlama Yatırım Holding A.Ş., İhlas Madencilik A.Ş., Detes Enerji Üretim A.Ş., Bisan Bisiklet Moped Otomotiv San.Tic A.Ş, Bisiklet Pazarlama San.ve Tic. A.Ş. In addition to being a Board member at Kristal Kola and Meşrubat Sanayi ve Ticaret A.Ş., İhlas Meşrubat A.Ş., and Armutlu Tatil ve Turizm İşletmeleri A.Ş., he is also the General Manager of Mir İç ve Dış Ticaret Maden San.Ltd. Şti.

Sedat Kurucan, Vice Chairman of the Board of Directors and General Manager

Elected on May 31, 2012 for a three-year term, until the General Assembly to be held at the end of the third year. Jointly authorized to represent and bind the Company.

Sedat Kurucan was born in Ordu in 1960. He completed his primary education in Ordu and secondary education at the Mustafakemalpaşa Middle School in Bursa. He then attended the Atatürk High School for Teachers on Gökçeada, Çanakkale. Mr. Kurucan received a Bachelor’s Degree in the Faculty of Mechanical Engineering at Istanbul Technical University in 1982. He completed his Masters Degree on gas turbines at Eskişehir Osman Gazi University and worked at the Turkish Air Force Jet Engine Maintenance Plant in Eskişehir for six years. After having worked at the TUSAŞ F-16 Engine Plant in Eskişehir in Contract and Quality Management under the U.S. Department of Defense for 11 years, Mr. Kurucan retired in 1999. Since then, he has held senior management positions at İhlas Pazarlama A.Ş. and İhlas Ev Aletleri A.Ş., both İhlas Group companies. He is married with two children. He speaks fluent English and basic French. Sedat Kurucan is a member of the Board of Directors of İhlas Pazarlama Yatırım Holding A.Ş.

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Mehmet Küsmez, member of the Board of Directors and Chief Financial Officer

Elected on May 31, 2012 for a three-year term, until the General Assembly to be held at the end of the third year. Jointly authorized to represent and bind the Company. Mehmet Küsmez was born in Karabük in 1970. He completed his primary, secondary and high school education in Karabük and graduated from the Karabük Demir Çelik High School in 1987. He received a Bachelor's Degree in the Department of Finance and Accounting, Faculty of Business Administration at the Anadolu University. Mehmet Küsmez began working in the Sirkeci Sales and Distribution Office of Türkiye Gazetesi in 1988.

He has been working in middle and senior management positions in the accounting, finance, and planning departments at İhlas Ev Aletleri A.Ş. since 1990. He continues as Chief Financial Officer and Assistant General Manager. Küsmez is married, has two children and is a member of the Corporate Governance Organization of Turkey (TKYD) and the Investor Relations Organization of Turkey (TÜYİD).

H. Alev Volkan, member of the Board of Directors

H. Alev Volkan was born in Istanbul in 1952. She received a Bachelor's Degree in the Istanbul Academy of Economic and Commercial Sciences. She worked as public officer in the personnel service at the Haseki Hospital from 1970 to 1976. Ms. Volkan officiated as Chief Cost Accountant and Accounting Manager at Penyelüks Hasan Gürel Kombine Tekstil İşletmeleri A.Ş. from 1976 to 1994. Following her resignation from this company, she took office at İhlas Holding A.Ş. in February 1994. Alev Volkan holds a Capitals Market Activities Advanced Level License, as well as a Corporate Governance Rating Expertise License. She is currently officiating as the Assistant Financial Affairs Coordinator.

Tolga Sönmez, independent member of the Board of Directors

Tolga Sönmez was born in Ankara in 1973. He received a Bachelor's Degree in Economics in the Faculty of Economics and Administrative Sciences at the Anadolu University in 1996. Mr. Sönmez then completed the Banking and Finance Certificate Program at London Guildhall University. He began his Professional career as a finance specialist at İhlas Holding A.Ş. in 1997. He worked at FFK Fon Finansal Kiralama A.Ş., the leasing subsidiary of Ülker Group, in 2002.

Upon his resignation in 2008, he took up office as finance manager at Baklavacı Güllüoğlu A.Ş. until March 2011. He is currently officiating as Financial Affairs Coordinator at Boer Electronics. Mr. Sönmez is married with one daughter. Tolga Sönmez attended numerous local and international seminars. He also participated as a speaker in the Finance Summits held by the Finance Club of the Middle Eastern Technical University.

Salman Çiftçi, independent member of the Board of Directors

Salman Çiftçi was born in Sivas in 1971. He received a Bachelor's Degree in the Department of Economics, Faculty of Economics and Administrative Sciences at Uludağ University in 1993. The same year, he began working as accounting specialist responsible for the bank accounting at İhlas Holding A.Ş. He moved on to serve as tax auditor at BKR Işık Yeminli Mali Müşavirlik A.Ş. in 1996. Mr. Çiftçi resigned in 1997 to take office as assistant accounting manager, and then, accounting manager at İhlas Hayat Sigorta A.Ş.

He officiated as Director of Finance at the foreign-partnered JFK Hospital in 2004. Mr. Çiftçi took his current office as the Group Accounting Manager at the German Hospitals Group, also a foreign-partnered institution, in 2011. Salman Çiftçi is a certified independent accountant and financial advisor. He holds certificates related to the new Turkish Commercial Code and SME IFRS. Mr. Çiftçi is married with two children.

A. Murat Memioğlu, independent member of the Board of Directors

Born in Istanbul on February 9, 1977, A.Murat Memioğlu graduated from the Deniz li Anadolu Lisesi, İzmir Y. Fen Lisesi and Yıldız Technical University, Computer Engineering Department and has been developing CRM, ERP, E-commerce, internet and intranet applications, data mining and a variety of finance system integration projects for 16 years. He has been in administrative positions in many companies and projects in the informatics sector and is currently serving as an IT administrator in a leading e-commerce company. A.Murat has fluent English and introductory level German.

STATEMENT OF INDEPENDENCE

I hereby declare to the İhlas Ev Aletleri İmal. San. ve Tic. A.Ş. (Company) Board of Directors that, neither I, nor my spouse, nor any of my relatives by blood or marriage up to third degree have had any direct or indirect employment or a commercial relationship in terms of equity or any other significant matter with the company or any of its subsidiaries, or any legal entities where shareholders possessing more than five percent shares in the Company, directly or indirectly, are involved in the management or equity of the Company;

For the past five years, I have not been employed or held role as a Board of Directors member at any of the companies that have executed some or all of the Company's activities and operations within the scope of signed contracts, primarily in companies that have undertaken the auditing, rating, and consultancy of the Company;

For the past five years, I have not been employed, owned shares, or held a role as a Board of Directors member at any of the companies that have procured a significant level of services and products to the Company;

I have the professional training, knowledge and experience to conduct the duties I have undertaken as an independent member of the board, I am not currently working fulltime in Public agencies and organizations, I am considered a resident of Turkey according to the Income Tax Laws, I will contribute to the Company's activities, remain impartial during conflict of interests between shareholders, decide freely keeping the rights of stakeholders in mind, and set aside enough time to monitor the Company's operations and fulfill the needs of the role I have undertaken, 20.02.2014

Tolga Sönmez

STATEMENT OF INDEPENDENCE

I hereby declare to the İhlas Ev Aletleri İmal. San. ve Tic. A.Ş. (Company) Board of Directors that, neither I, nor my spouse, nor any of my relatives by blood or marriage up to third degree have had any direct or indirect employment or a commercial relationship in terms of equity or any other significant matter with the company or any of its subsidiaries, or any legal entities where shareholders possessing more than five percent shares in the Company, directly or indirectly, are involved in the management or equity of the Company;

For the past five years, I have not been employed or held role as a Board of Directors member at any of the companies that have executed some or all of the Company's activities and operations within the scope of signed contracts, primarily in companies that have undertaken the auditing, rating, and consultancy of the Company;

For the past five years, I have not been employed, owned shares, or held a role as a Board of Directors member at any of the companies that have procured a significant level of services and products to the Company;

I have the professional training, knowledge and experience to conduct the duties I have undertaken as an independent member of the board, I am not currently working fulltime in Public agencies and organizations,

I am considered a resident of Turkey according to the Income Tax Laws, I will contribute to the Company's activities, remain impartial during conflict of interests between shareholders, decide freely keeping the rights of stakeholders in mind, and set aside enough time to monitor the Company's operations and fulfill the needs of the role I have undertaken, 20.02.2014

Salman Çiftçi

STATEMENT OF INDEPENDENCE

I hereby declare to the İhlas Ev Aletleri İmal. San. ve Tic. A.Ş. (Company) Board of Directors that, neither I, nor my spouse, nor any of my relatives by blood or marriage up to third degree have had any direct or indirect employment or a commercial relationship in terms of equity or any other significant matter with the company or any of its subsidiaries, or any legal entities where shareholders possessing more than five percent shares in the Company, directly or indirectly, are involved in the management or equity of the Company;

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For the past five years, I have not been employed or held role as a Board of Directors member at any of the companies that have executed some or all of the Company's activities and operations within the scope of signed contracts, primarily in companies that have undertaken the auditing, rating, and consultancy of the Company;

For the past five years, I have not been employed, owned shares, or held a role as a Board of Directors member at any of the companies that have procured a significant level of services and products to the Company;

I have the professional training, knowledge and experience to conduct the duties I have undertaken as an independent member of the board, I am not currently working fulltime in Public agencies and organizations, I am considered a resident of Turkey according to the Income Tax Laws, I will contribute to the Company's activities, remain impartial during conflict of interests between shareholders, decide freely keeping the rights of stakeholders in mind, and set aside enough time to monitor the Company's operations and fulfill the needs of the role I have undertaken, 20.02.2014

A.Murat Memioğlu

STATEMENT OF INDEPENDENCE

I hereby declare to the İhlas Ev Aletleri İmal. San. ve Tic. A.Ş. (Company) Board of Directors that, neither I, nor my spouse, nor any of my relatives by blood or marriage up to third degree have had any direct or indirect employment or a commercial relationship in terms of equity or any other significant matter with the company or any of its subsidiaries, or any legal entities where shareholders possessing more than five percent shares in the Company, directly or indirectly, are involved in the management or equity of the Company;

For the past five years, I have not been employed or held role as a Board of Directors member at any of the companies that have executed some or all of the Company's activities and operations within the scope of signed contracts, primarily in companies that have undertaken the auditing, rating, and consultancy of the Company;

For the past five years, I have not been employed, owned shares, or held a role as a Board of Directors member at any of the companies that have procured a significant level of services and products to the Company;

I have the professional training, knowledge and experience to conduct the duties I have undertaken as an independent member of the board, I am not currently working fulltime in Public agencies and organizations,

I am considered a resident of Turkey according to the Income Tax Laws, I will contribute to the Company's activities, remain impartial during conflict of interests between shareholders, decide freely keeping the rights of stakeholders in mind, and set aside enough time to monitor the Company's operations and fulfill the needs of the role I have undertaken, 02.05.2012 **Ahmet Olgun**

Due to the resignation of Mr. Ahmet Olgun on 04.03.2013 Mr. A.Murat Memioğlu has been elected to serve in his place.

5.2. Operating Principles of the Board of Directors

Matters regarding the manner and frequency of Board of Directors meetings, meeting and decision quorum, method of objection to Board decisions, and the validity of Board decisions are carried out within the framework of Turkish Code of Commerce provisions.

The agenda of Board of Directors meetings consists of matters decided in the previous meeting to be discussed again in the next board meeting, and matters determined by the senior management of the Company. Any board member may add other items to the agenda by notifying senior management. Matters that need to be discussed by the board are communicated to the Board of Directors secretariat and collected in order to draw up the agenda for the next meeting.

The Board of Directors holds an ordinary meeting at least once a month; however, members of the Board of Directors may convene in extraordinary situations and make decisions on important matters on the agenda. The Chairman, Vice Chairman and each board member is entitled to call the Board to meeting and/or add matters he/she wishes discussed to the related meeting, by notifying all other members at least one (1) day before the meeting. Invitations for these meetings are communicated by mail or telephone by the Board of Directors secretariat. The Board of Directors secretariat is operated by an expert reporting to the Chairman of the Board of Directors. All questions posed and all matters discussed during meetings are recorded in the meeting minutes. Members of the Board of Directors attend all the meetings as a principle. However, for important matters pertaining to activities of the Company, all members of the Board of Directors are expected to be present at these meetings in person. The following agenda items can only be approved by members of the Board of Directors who are present, in person, at the Board of Directors meeting:

- Determining areas of activity of the Company
- Matters related to calling the General Assembly to ordinary/ extraordinary meeting and organization of the meeting

- Finalizing the yearly activity report
- Electing the Chairman of the Board of Directors, an acting Chairman and appointing new members
- Establishing or terminating administrative units
- Appointing or dismissing the Chief Executive Officer/General Manager
- Establishing committees
- Determining the dividend policy of the Company and the term profit amount to be paid out
- Capital increases or decreases
- All members of the Board of Directors, including the Chairman, have one vote and no member has a weighted vote right.

During 2013 the Board of Directors held 25 meetings and all members attended the meetings.

No administrative sanctions or fines were given to the Board of Directors due to non-conformance with legal provisions. Questions and opinions have been submitted by Board of Directors Members during the Board of Directors meetings; they are not recorded but a final decision is recorded for all items.

The Articles of Association do not grant weighted voting rights or veto rights to any of the Board of Directors members.

There are no transactions with related parties or material transactions; nor are there any decisions regarding these transactions unapproved by independent members of the Board of Directors.

5.3. Number, Structure and Independence of the Committees Established by the Board of Directors

An auditing committee and a corporate governance committee have been established within the Board of Directors according to corporate governance principles. The committees consist of two members; the chairmen are independent members of the Board while the others are non-executive members of the Board. Members of the Board of Directors cannot be on more than one committee.

In line with article 4.5.1. of Communiqué Serial IV, No:56 on the "Determination of Corporate Governance Principles" of the Capital Markets Board, it was decided during the 19.04.2012 board of directors meeting that the duties of the "Nomination Committee", "Early Detection of Risk Committee" and "Wages Committee" be undertaken by the Corporate Governance Committee.

The duties of the Early Detection of Risk Committee being carried out by the Corporate Governance Committee has been decided in accordance with the Capital Market Board Communiqué Series: IV, No:56 changed to Series: IV, No:63 communiqué

In the Board of Directors meeting held on 08.03.2013 will be carried out by another committee.

The principles and operation of committees are being conducted according to the procedures accepted in the Board meeting on 19.04.2012 by decision 9..

The job distribution and description of committee members are as follows.

- Corporate Governance Committee Chairman: A.Murat Memioğlu (Computer Engineer, Independent Member)
- Corporate Governance Committee Member: H.Alev Volkan (Assistant Financial Affairs Coordinator YKÜ)
- Auditing Committee Chairman: Salman Çiftçi (Financial Advisor, Independent Member)
- Auditing Committee Member: Tolga Sönmez (Financial Advisor, Independent Member)
- Early Detection of Risk and Governance Committee Member: Tolga Sönmez (Financial Advisor, Independent Member), H.Alev Volkan (Non-Executive Member, Board Member)

The Auditing Committee met six times during the 2013 fiscal year, which ended on December 31, 2013 and all of the recommendations made as a result of the meetings were adopted by the Board of Directors.

The Corporate Governance Committee met five times during the 2013 fiscal year, which ended on December 31, 2013. The proposal decision from these meetings was adopted by the Board of Directors.

The Early Detection of Risk Committee met five times during the 2013 fiscal year, which ended on December 31, 2013. The proposal decision from these meetings was adopted by the Board of Directors.

5.4. Risk Management and Internal Control Mechanism

It has been decided at the Board of Directors meeting held on 08.03.2013 that in accordance with the Capital Markets Board Communiqué Series: IV No:56 changed by Series :IV No:63 that the Early Detection of Risk Committee tasks which were being carried out by the Corporate Governance Committee will be carried out by a separate Early Detection of Risk Committee, Tolga Sönmez is assigned as chairman and Mehmet Kösmez as a member. In order to comply with CMB Corporate Governance Communiqué no:II-17.1 H.Alev Volkan is assigned in place of Mehmet Kösmez. The activities carried out under Risk Management which are required by the relevant article of TCC are done with Outsource support to develop a risk management model customized to our company

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And a "Risk Assessment and Management Process Table" has been prepared concerning the stages of the model. The Risk Assessment and Management Process is comprised of Determining Risk, the Assessment Table, Assessment of Possibilities, Assessment of Impact, Determination of Risk Level, Assessment of Controls, Determination of areas open to risk, the Action Guide and Action Plan.

During the process to determine risk the main risks that could impact the managers and the company and specific risks for each main risk group were clarified. Risks in the categories of strategy, finance, service, workforce and knowledge which could impact the company were determined and defined.

The main and specific risks that were identified have been reflected on the "Categories and Risk Classifications Table".

All of the main and specific risks that were determined and identified were considered in their existing state without the implementing of strategies, applications and controls as well as risk reduction effects to assess the impact they have on the company.

The company has met with all of the Company Administrators taking into account all of the company activities. Each specific risk that was determined in this assessment was taken into consideration in its state without the implementing of strategies, applications and controls as well as risk reduction effects.

The effects of the specific risks in their existing form without the implementing of strategies, applications and controls as well as risk reduction effects, on the company was assessed and the "Impact degree table" and "Risk Impact Level Assessment Table" was formed. The "Risk Impact Level Assessment" was utilized to assess the possibility of risks and sub-risks occurring in the categories. Their "Degree of Probability" and "Probable Impact Scoring Matrix" was prepared and the risk probability generated by the existing risk study was conveyed to all administrators and accepted as the standard. The assessment was decided to be made with an impact approach. In order to implement the Impact approach "The Control Degrees Table" and "Risk Control Scoring Matrix" were used to create the "Risk Levels of Exposure". These created tables were used to make an assessment in the Strategic Management and Investment categories and the results were reflected on the "Risk Impact Level Assessment" table. From here the risk level action degrees table and the necessary actions were determined to prepare the action and action authorities table in the Strategic Management and Investment category in order to specify the actions that need to be taken and the persons responsible for these actions.

This work was presented to the Board of Directors and approved. It contains all of the precautions and methods in our company concerning internal control, the organization plan, protecting company assets; and which are accepted and put into practice in order to encourage the accuracy of accounting documents, inquiring their reliability, increasing the productivity of operation and loyalty to predetermined management policies.

In order for our internal control system, which contributes to the realization of our company's goals and is accepted as a basic management function, is closely involved in all of the administrative activities, work, transactions and processes and includes all control activities, to be more productive and systematic the control points are constantly monitored by internal auditors in the scope of Internal Audit operations. Mehmet Ercan Akgün serves in the Internal Audit Department. Internal Audit is a guidance operation that is independent and implemented to achieve objective assurance and assess whether or not the company resources are being managed economically, effectively and efficiently to add value and develop the company's operations.

In our company these operations are carried out systematically, constantly, with a disciplined approach and in accordance with generally accepted standards to assess and develop the risk management, administration and control processes of the management and control structures of administrations and financial transactions. It can be said, as is apparent from the definition of internal audit, that its first function is to attain reasonable assurance and the second is to provide consultation.

The function of providing sufficient assurance both within the company and to the outside is based on making sure that there is an efficient internal audit system in the company, that the internal audit system and its processes function properly, that the produced information is reliable and complete, assets are protected and fraud is prevented, transactions are carried out in an efficient, economic, productive and compliant with regulations manner.

The consultation function serves to provide recommendations towards assessing and developing operations to realize the administration goals in a systematic and organized manner.

In this context the Internal Control System is tested with the audit question forms prepared by the Internal Auditors in quarterly periods.

The audit question forms are prepared by the Internal Auditors to cover the whole internal control system under the headings of Cashier, Bank, Issued and Received Checks, Sales, Receivables and Receivable Stocks, Purchasing, Inventory, Fixed Financial Assets, Investments and Relevant Incomes, Wages Policy and Equity. The question forms are prepared to ensure that our company's operations are being carried out and planned in line with the company goal and policies, programs, strategic plans, performance programs and regulations; that resources are being used effectively, economically and productively and that information is secure, complete and can be obtained in a timely manner. The results that are obtained from this work is reported in Internal Audit Forms to the Audit Committee Directorate for the relevant periods.

5.5. Strategic Goals of the Company

The Board of Directors is the Company's highest body for strategic decision making, representation, and execution (management). When making and executing decisions, the Board of Directors aims to maximize the Company's market value. With this in mind, the Board of Directors executes the Company operations in such a way that shareholders can yield a steady, long term profit. While doing this, they maintain the delicate balance between the shareholders and the Company's growth needs.

5.6. Financial Rights

As per decision number 10, dated April 20, 2012, a "Policy for the Wages Policy of Board of Directors Members and Executive Managers" has been established in line with Communiqué Serial IV, No: 56 of the CMB. This issue has been an item on the agenda of the 2011 General Assembly. Furthermore, it has been disclosed to the public through a material events disclosure, and can be found on the Company website.

The Company does not lend money to any member of the Board or the executive managers nor does it provide them with loans or credit. There has been no credit extended under personal credit by means of a third party nor has the Company provided any warranties or guarantees.

Wages Policy for Board of Directors Members and Executive Managers

Remuneration of the Board of Directors members are done according to provisions outlined in the Turkish Commercial Code, Capital Markets Law, and relevant regulations.

Remunerations of the Chairman and members of the Board of Directors is determined by the Corporate Governance Committee.

They become effective after the approval of the General Assembly. The determination of remunerations takes into account the time the individuals will spend in meetings, for preparations before and after the meetings, and for fulfilling their duties. Moreover, the attendance fee for each meeting is determined by the General Assembly.

If the Board member has a role in execution as well, then, considering the financial status of the Company and the general market conditions, an additional payment may be made. Although these criteria are used for determining the remuneration of independent members of the Board of Directors as well, it is taken into account that the level of remuneration will enable these members to maintain their independence.

The purpose of the Wages Policy is to ensure that remuneration brings out knowledge, skills, abilities, contribution, performance, and scale of responsibilities. Furthermore, the policy aims to increase employees' motivational and engagement level by creating competitiveness in the market and a compensation balance both internally and externally, so that the Company can attain the workforce necessary for it to achieve its goals.

Because we know

“how valuable your time is” just as much as we know

“how valuable our time is”

we took each step with awareness

for providing the conditions in which time will serve you:





PROFIT DISTRIBUTION PROPOSAL

Regarding the period profit that our Company made as a result of 2013 operations;

1. There is a period loss of 18,431,639 TL in the financial tables which have been prepared according to legal records.
2. The period loss in the consolidated financial reports prepared in accordance with the Capital Market Board communiqué no II-14.1 provisions the period loss is 23,272,008 TL.

It has been decided as a result of the 2013 year accounting results that it be proposed to the General Assembly that no profit be distributed and the loss in question be deducted from profits of future periods.

Board of Management

**Our work and our task,
Is to provide time for your service;**
Do not forget,
If time is at your service,
Your life is yours,
Your life with all its
Color,
Enjoyment,
Cheer
And happiness!



INDEPENDENT AUDIT REPORT FOR THE FISCAL YEAR 2013

Independent Audit Report of İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.
for the January 1 - December 31, 2013 Fiscal Year

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. Board of Directors

We have examined the consolidated financial statement (balance sheet), the consolidated income statement, the consolidated equity adjustment statement, the consolidated cash flow statement, summary of material accounting policies, and footnotes of İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. ("Company" or "Group") for the period ending on December 31, 2013.

Company Executive's Responsibilities Concerning the Financial Statements

The Company's executives are responsible for ensuring that the financial statements are prepared according to the Turkish Accounting Standards (TAS) published by the Public Oversight Accounting and Auditing Standards Association (POA) and that they are presented accurately. This obligation includes ensuring that the financial statements do not contain material errors resulting from inaccuracies, fraud or irregularities. Moreover, the responsibilities also comprise designing, implementing, and sustaining necessary internal control systems, making the necessary accounting estimates as required, and selecting the appropriate accounting policies in order to ensure that the financial statements are complete and correct.

Responsibilities of the Independent Auditing Firms

We are obliged to provide opinions on these financial statements based on the independent audit that we conduct. Our independent audit complies with the independent auditing standards published by the Capital Markets Board. These standards require compliance with ethical principles and planning in the execution of independent audits in a manner that provides reasonable assurance about the unquestioned accuracy of these financial statements.

Our independent audit consists of using independent auditing techniques to substantiate the amounts reflected in the financial statements and the footnotes. The independent auditing techniques that we use were selected based on our professional opinion in that they include a risk evaluation of the financial statements to identify whether any material errors exist and whether these are due to inaccuracies, fraud or irregularities, taking the Company's internal control system into consideration. The Company's internal Control System has into Consideration at this risk evaluation. However, that is not to say that we necessarily intend to provide feedback regarding the efficacy of the internal control system. Instead, we aim to determine the relationship between the internal control system and the financial statements compiled by the Company's management in order to devise independent auditing techniques that suit the conditions. Moreover, our independent audit includes the evaluation of the applicability and unity of the financial statements and material accounting estimates accomplished through accounting policies adhered to by the Company's management.

We, therefore, maintain that the independent auditing techniques used to substantiate the findings of the independent audit are sufficient as a basis of our opinions.

Opinion

In our opinion, the attached consolidated financial statements accurately reflect the financial status of İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş., as of December 31, 2013, and the company's cash flow for the period ending December 31, 2013, in compliance with the financial reporting standards of IAS.

INDEPENDENT AUDIT REPORT FOR THE FISCAL YEAR 2013

Independent Audit Report of İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.
for the January 1 - December 31, 2013 Fiscal Year

We would like to draw attention to the following, although they have no bearing on our focus:
The Company's consolidated financial statements from the previous year, presented in comparison with the consolidated financial statements dated December 31, 2013, were examined by another independent auditing company, which has issued a positive opinion for these consolidated financial statements.

Report on the Independent Auditor Responsibilities Generated from other Regulations

In accordance with the Turkish Commercial Code no 6102 Article 402 the Board of Directors has provided the explanations and documents that were requested in the scope of the audit also no important point indicating that the company's January1-December 31, 2013 accounting records were not in accordance with the provisions on financial reporting in the articles of association was found. According to Turkish Commercial Code no 6102 Article 378 the board of directors in companies that are processed on the stock exchange must form an expert committee to work on the early detection of causes that may threaten the existence, development and continuance of the company; to apply the precautions necessary to avoid these, manage risk and operate this system. According to clause 4 of article 398 in the same law the auditor is responsible for checking to make sure that the board of directors has established the system set forth in article 378 to detect risks that are or may threaten the company and conduct risk management and if there is such a system to prepare a separate report concerning the structure of this system and as well as explain its functions according to principles set forth by the POA. Our audit does not cover assessment of the operational efficiency and sufficiency of the operations conducted by the Company Management to manage risk. As of the report date no statement had been released by the POA on these principles. Moreover the company established the said committee on March 8, 2013 with two members. Since the date it was established until the report date the committee met six times to detect risks threatening the existence of the Company, to apply the necessary precautions and to manage risk and has submitted this work to the Board of Directors.

İstanbul March 5, 2014

BİLGİLİ BAĞIMSIZ DENETİM ve YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.

Rafet KALKAN
Head Partner Auditor
Certified Accountant

CONSOLIDATED FINANCIAL STATEMENTS

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Consolidated Financial Statements as of December 31, 2013 and December 31, 2012
(Unless stated otherwise the amounts are in Turkish Lira (TL))

	Footnote References	From Independent Audit	
		Past 31.12.2013	Past (Reclassified) 31.12.2012
ASSETS			
Current Assets		171.427.777	209.417.382
Cash and Cash Equivalents	6	694.551	1.533.382
Financial Investments	7	762.777	87.258.985
Trade Receivables	10	90.588.201	63.744.451
- Trade Receivables from Related Parties	10-38	14.581.919	14.068.641
- Trade Receivables from Non-Related Parties	10	76.006.282	49.675.810
Receivables from Finance Sector Activities	12	0	0
Other Receivables	11	21.278.805	12.343.662
- Other Receivables from Related Parties	11-38	19.679.142	12.094.803
- Other Receivables from Non- Related Parties	11	1.599.663	248.859
Derivative Instruments	15	0	0
Inventories	13	51.573.180	36.392.419
Live Assets	14	0	0
Prepaid Expenses	24	3.471.663	5.096.018
Assets Related to the Current Period Tax	25	1.580	1.356
Other Current Assets	26	3.057.020	3.046.728
(Subtotal)		171.427.777	209.417.001
Held-for-sale Fixed Assets	35	0	0
Fixed Assets		95.844.172	94.805.697
Financial Investments	7	814.760	1.470.663
Trade Receivables		0	0
Receivables from Finance Sector Activities		0	0
Other Receivables	11	245.031	245.031
Derivative Instruments	15	0	0
Investments Appraised using the Equity Method of Accounting	16	0	0
Live Assets	14	0	0
Investment Properties	17	36.320.487	37.359.741
Tangible Fixed Assets	18	5.590.579	5.179.618
Intangible Fixed Assets		42.217.248	43.506.680
- Goodwill	19	36.346.849	37.720.505
- Other Intangible Fixed Assets	19	5.870.399	5.786.175
Prepaid Expenses	24	35.470	36.851
Deferred Tax Assets	36	10.620.597	7.007.113
Other Fixed Assets	26	0	0
TOTAL ASSETS		267.271.949	304.222.698

The attached footnotes augment the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Consolidated Financial Statements as of December 31, 2013 and December 31, 2012
(Unless stated otherwise the amounts are in Turkish Lira (TL))

	Footnote References	From Independent Audit	
		Past 31.12.2013	Past (Reclassified) 31.12.2012
EQUITIES			
Short Term Liabilities		74.495.854	78.498.510
Short Term Payables	8	38.692.678	39.342.259
Other Financial Liabilities	9	0	0
Trade Payables	10	31.116.281	34.113.503
- Trade Payables to Related Parties	10-38	388.706	701.584
- Trade Payables to Non-Related Parties	10	30.727.575	33.411.919
Payables from Finance Sector Activities	12	0	0
Payables from Employees Benefits	22	1.218.391	835.254
Other Payables	11	0	12.400
Derivative Instruments	15	0	0
Government Incentives and Aid	20	0	0
Deferred Income	24	567.028	1.232.020
Period Profit Tax Liability	36	0	0
Short Term Provisions		62.477	0
- Short Term Provisions Rel. to Employee Benefits		0	0
- Other Short Term Provisions	21	62.477	0
Other Short Term Liabilities	26	2.838.999	2.963.074
(Subtotal)		74.495.854	78.498.510
Held for Sale Fixed Asset Liabilities	35	0	0
Long Term Liabilities		6.340.808	7.597.489
Long Term Payables		0	0
Other Financial Liabilities		0	0
Trade Payables		0	0
Payables from Finance Sector Activities		0	0
Other Payables		0	0
Derivative Instruments	15	0	0
Government Incentives and Aid		0	0
Deferred Income	24	0	0
Long Term Provisions		4.292.133	3.320.138
- Long Term Provisions Rel. to Employee Benefits	22	3.529.702	2.539.085
- Other Long Term Provisions	21	762.431	781.053
Payables Related to Current Period Tax		0	0
Deferred Tax Liability	36	2.048.675	3.671.262
Other Long Term Liabilities	26	0	606.089

CONSOLIDATED FINANCIAL STATEMENTS

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Consolidated Financial Statements as of December 31, 2013 and December 31, 2012
(Unless stated otherwise the amounts are in Turkish Lira (TL))

	Footnote References	From Independent Audit	
		Past 31.12.2013	Past (Reclassified) 31.12.2012
EQUITIES		186.435.287	218.126.699
Equities Belonging to the Parent Company		170.519.623	201.040.730
Issued Capital	27	191.370.001	191.370.001
Share PremilAS / Discounts	27	6.534.581	6.534.581
Other Accumulated Comprehensive Incomes and Expenses Not to be Reclassified in Profit or Loss		226.307	114.477
- Revaluation Measurement Profit/Loss	27	21.608	0
- Other- Profit/Loss	27	204.699	114.477
Other Equity Reserves	27	4.890.469	4.890.469
Other Reserves	27	(8.020.139)	0
Restricted Reserves from Profits	27	3.524.613	2.865.403
Profit/(Loss) from Previous Years	27	(4.734.201)	(25.280.476)
Net Current Profit/(Loss)	37	(23.272.998)	20.546.275
Minority Shares	27	15.915.664	17.085.969
TOTAL RESOURCES		267.271.949	304.222.698

The attached footnotes augment the consolidated financial statements.

CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME TABLES

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Consolidated Profit or Loss and Other Comprehensive Income Tables as of January 1- December 31, 2013 and January 1- December 31, 2012 Accounting Periods (Unless stated otherwise the amounts are in Turkish Lira (TL))

	Footnote References	From Independent Audit	
		Past 01.01.2013 31.12.2013	Past (Reclassified) 01.01.2013 31.12.2012
CONTINUED ACTIVITIES			
Sales Income	28	108.097.245	101.540.360
Cost of Sales (-) (-)	28	(90.168.636)	(90.242.556)
Gross Profit/(Loss) from Trade Activities		17.928.609	11.297.804
Finance Sector Activities Sales Income	28	0	0
Finance Sector Activities Costs(-)	28	0	0
Gross Profit/(Loss) from Finance Sector Activities		0	0
GROSS PROFIT/LOSS		17.928.609	11.297.804
General Administrative Costs (-)	29-30	(9.563.421)	(9.088.634)
Marketing, Sales and Distribution Costs (-)	29-30	(3.658.156)	(2.564.585)
Research and Development Costs(-)	29-30	(1.556.793)	(1.230.119)
Other Operating Income	31	9.157.603	15.426.661
Other Operating Costs(-)	31	(11.488.358)	(11.938.844)
OPERATING PROFIT/LOSS		819.484	1.902.283
Income from Investment Activities	32	18.526.136	40.373.250
Costs from Investment Activities(-)	32	(36.781.439)	(10.288.476)
Amount of Investment Appraisal through Equity Management in Profit/Loss	16	0	0
OPERATION PROFIT/LOSS BEFORE FINANCIAL COSTS		(17.435.819)	31.987.057
Financial Costs (-)	33	(12.360.219)	(9.764.195)
Financial Incomes	34	858.454	1.631.205

CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME TABLES

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Consolidated Profit or Loss and Other Comprehensive Income Tables as of January 1- December 31, 2013 and January 1- December 31, 2012 Accounting Periods
(Unless stated otherwise the amounts are in Turkish Lira (TL))

	Footnote References	From Independent Audit	
		Past 01.01.2013 31.12.2013	Past (Reclassified) 01.01.2012 31.12.2012
CONTINUED ACTIVITIES			
CONTINUING OPERATIONS PROFIT/(LOSS) BEFORE TAXES		(28.937.584)	23.854.067
Continuing Operations Tax Income/ (Expense)	36	5.237.853	(5.968.557)
- Current Tax Income/(Costs)	36	0	0
- Deferred Tax Income/(Costs)	36	5.237.853	(5.968.557)
CONTINUING OPERATIONS PROFIT/(LOSS) FOR THE PERIOD	37	(23.699.731)	17.885.510
DISCONTINUED OPERATIONS PROFIT/(LOSS)	35	0	0
CURRENT PROFIT/(LOSS)	37	(23.699.731)	17.885.510
Distribution of Current Profit/Loss	37	(23.699.731)	17.885.510
Minority Shares	37	(427.723)	(2.660.765)
Parent Company Shares	37	(23.272.008)	20.546.275
Earnings/(Loss) per Share	37	(0,122)	0,107
Earnings/(Loss) per Share from Continuing Operations	37	(0,122)	0,107
Earnings/(Loss) per Share from Discontinued Operations	37	-	-
Diluted Earnings/(Loss) per Share	37	-	-
Diluted Earnings/(Loss) per Share from Continuing Operations		-	-
Diluted Earnings/(Loss) per Share from Discontinued Operations		-	-

The attached footnotes augment the consolidated financial statements.

CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME TABLES

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Consolidated Profit or Loss and Other Comprehensive Income Tables as of January 1- December 31, 2013 and January 1- December 31, 2012 Accounting Periods
(Unless stated otherwise the amounts are in Turkish Lira (TL))

	Footnote References	From Independent Audit	
		Past 01.01.2013 31.12.2013	Past (Reclassified) 01.01.2012 31.12.2012
CURRENT PROFIT/LOSS	37	(23.699.731)	17.885.510
OTHER COMPREHENSIVE INCOME		124.082	(254.227)
Not to be Reclassified in Profit or Loss		124.082	(254.227)
Tangible Fixed Assets Reappraisal Value Increase/Decrease	18-27	35.642	0
Remeasurement Profit/Loss of Defined Benefit Programs	22-27	90.222	(254.227)
Tax Concerning Other Comprehensive Income not to be Reclassified in Profit/Loss	36	(1.782)	0
To be reclassified in Profit or Loss		0	0
TOTAL COMPREHENSIVE INCOME		(23.575.649)	17.631.283
Distribution of Total Comprehensive Income			
Minority Shares		(415.471)	(2.660.765)
Parent Company Shares		(23.160.178)	20.292.048

The attached footnotes augment the consolidated financial statements.

CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Consolidated Profit or Loss and Other Comprehensive Income Tables as of January 1- December 31, 2013 and January 1- December 31, 2012 Accounting Periods

(Unless stated otherwise the amounts are in Turkish Lira (TL).)

	Note	Issued Capital	Share Premil AS / Discounts	Other Equity Reserves	Other Reserves	Restricted reserves Derived From Profit	Other Accumulated Incomes/Costs not to be Reclassified in Profit /Loss		Accumulated Profits		Minority Shares	Total
							Profits/Losses from Revaluation Measurements	Actuarial Profit / Loss Fund from Retirement Plans	Previous Years Profit / Loss	Net Current Profit / (Loss)		
January 1, 2013 (Reclassified)		191.370.001	6.534.581	4.890.469	0	2.865.403	0	114.477	(25.280.476)	20.546.275	17.085.969	218.126.699
Adjustment in Special Reserves	27	0	0	0	0	512.139	0	0	0	0	0	512.139
Transactions Done with Minority Share Holders	27	0	0	0	(8.020.139)	0	0	0	0	0	0	(8.020.139)
Increase/Decrease Connected to Changes in Share Ratios of Affiliates not Resulting in Loss of Control	27	0	0	0	0	147.071	0	0	0	0	(754.834)	(607.763)
Transfers	27	0	0	0	0	0	0	0	20.546.275	(20.546.275)	0	0
Total Comprehensive Income	27	0	0	0	0	0	21.608	90.222	0	(23.272.008)	(415.471)	(23.575.649)
December 31, 2013		191.370.001	6.534.581	4.890.469	(8.020.139)	3.524.613	21.608	204.699	(4.734.201)	(23.272.008)	15.915.664	186.435.287

	Note	Issued Capital	Share Premil AS / Discounts	Other Equity Reserves	Restricted reserves Derived From Profit	Other Accumulated Incomes/Costs not to be Reclassified in Profit /Loss		Accumulated Profits		Minority Shares	Total
						Actuarial Profit / Loss Fund from Retirement Plans	Previous Years Profit / Loss	Net Current Profit / (Loss)			
January 1, 2012 (Reclassified)		191.370.001	6.534.581	4.890.469	1.887.847	368.704	3.467.180	(26.540.244)	21.476.572		203.455.110
Adjustment in Special Reserves	27	0	0	0	41.123	0	0	0	0	0	41.123
Increase/Decrease Connected to Changes in Share Ratios of Affiliates and Mergers not Resulting in Loss of Control	27	0	0	0	936.433	0	(2.207.412)	0	(1.729.838)		(3.000.817)
Transfers	27	0	0	0	0	0	(26.540.244)	26.540.244	0	0	0
Total Comprehensive Income	27	0	0	0	0	(254.227)	0	20.546.275	(2.660.275)		17.631.283
December 31, 2012 (Reclassified)	27	191.370.001	6.534.581	4.890.469	2.865.403	114.477	(25.280.476)	20.546.275	17.085.969		218.126.699

CONSOLIDATED CASHFLOW TABLES

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

January 01 – December 31, 2013 and 01 January 01 – December 31, 2012 Consolidated Cash Flow Tables
(Unless stated otherwise the amounts are in Turkish Lira (TL))

	Footnote References	From Independent Audit	
		Past 31.12.2013	Past (Reclassified) 31.12.2012
Cash flow from business Activities			
Current Net Profit/(Loss)	37	(23.272.008)	20.546.275
Adjustments concerning current net profit/loss reconciliation			
Adjustments concerning amortization and depletion shares	18-19	1.926.474	1.697.574
Adjustments concerning Termination Benefit Provisions	22-30	1.963.299	553.166
Adjustments concerning Terminated Warranty Provisions	31	(17.022)	(270.811)
Adjustments concerning Termination Benefit Provisions	31	(20.152)	-
Adjustments concerning Terminated Warranty Provisions	31	(1.600)	(13.720)
Adjustments concerning Other Terminated Provisions	31	(41.524)	(303.801)
Adjustments concerning tax expense/income	36	(5.237.853)	5.968.557
Profit/loss from Minority Shares	37	(427.723)	(2.660.765)
Adjustments concerning interest income	34	(858.454)	(1.631.205)
Adjustments concerning interest costs	33	9.777.101	9.764.195
Adjustments concerning provisions for long term financial investment impairment	32	655.903	32.802
Adjustments concerning cancellation of provisions for long term financial investment impairment	32	-	(148.506)
Adjustments concerning profit/loss generated by selling fixed assets	32	(807.526)	1.957.502
Adjustments concerning goodwill impairment	31	1.373.656	2.202.497
Adjustments concerning provision for investment property value increase/decrease impairment	32	(8.210.754)	806.616
Adjustments concerning costs (income) that don't require other cash output (input)		(576.144)	392.306
Changes in the operation capital			
Adjustments concerning increase/decrease in financial investments	7	86.496.208	(43.733.331)
Adjust. concerning incr./decr. in trade receivables from rel. par.	10	(513.278)	(11.003.374)
Adjustments concerning increase/decrease in trade receivables from non-related parties	10	(26.330.472)	11.067.479
Adjustments concerning increase/decrease in other receivables from non-related parties	11	(1.350.804)	636.481
Adjust. concerning incr./decr. in other receivables from rel. parties	11	(7.584.339)	(12.094.803)
Adjustments concerning increase/decrease in inventories	13	(15.180.761)	4.516.584
Adjustments concerning increase/decrease in prepaid costs	24	1.625.736	6.384.903
Adjustments concerning increase/decrease in assets connected to current tax	25	(224)	30.975
Adjustments concerning increase/decrease in other assets	26	(10.292)	(102.185)
Adjustments concerning increase/decrease in trade payables to non-related parties	10	(2.684.244)	(9.721.698)
Adjust. concerning incr./decr. in trade payables to related parties	10	(312.878)	(1.080.206)

CONSOLIDATED CASHFLOW TABLES

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

January 01 – December 31, 2013 and 01 January 01 – December 31, 2012 Consolidated Cash Flow Tables
(Unless stated otherwise the amounts are in Turkish Lira (TL))

	Footnote References	From Independent Audit	
		Past 31.12.2013	Past (Reclassified) 31.12.2012
Adjustments to increase/decrease in liabilities in the scope of benefits provided to employees	22	383.137	(82.559)
Adjustments to increase/decrease in deferred income	24	(664.992)	1.122.990
Adjustments to increase/decrease in short and long term liabilities		(73.998)	(1.955.216)
Severance payments	22	(862.308)	(166.295)
Net cash flow from operations (A)		9.162.064	(17.287.573)
Cash flow from investment activities			
Cash output generated from investment properties and tangible fixed asset purchases	17-18	(2.085.096)	(2.443.556)
Cash output generated from intangible fixed asset purchases	19	(232.307)	(560.510)
Cash input achieved/ to be achieved from sale of investment properties and tangible fixed assets		9.988.920	19.012.179
Cash output generated from the purchase and sale of minority shares	27	(8.616.323)	-
Cash input achieved from government incentives	27	512.139	41.123
Net cash flows provided from investment activities (B)		(432.667)	16.049.236
Cash Flows from financing activities			
Earned Interest	34	858.454	1.631.205
Paid Interest	33	(9.777.101)	(9.764.195)
Cash input generated from borrowing	8	(649.581)	10.381.784
Cash flows used in financing activities (C)		(9.568.228)	2.248.794
Net increase/decrease in cash and cash equivalents (D=A+B+C)		(838.831)	1.010.457
Period beginning cash and cash equivalents (E)	6	1.533.382	470.744
Period beginning cash and cash equivalents from operation mergers (F)	3	-	52.181
Period end cash and cash equivalents (G=E+F)	6	694.551	1.533.382

The attached footnotes augment the consolidated financial statements.

FOOTNOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Footnotes for the Consolidated Financial Statements as of December 31, 2013
(Unless stated otherwise the amounts are in Turkish Lira (TL).)

NOTE 1 – Organization and Area of Activity of the Company

İhlas ve Aletleri İmalat Sanayi ve Ticaret A.Ş. (“Company”) is Merkez Mahallesi, 29 Ekim Cad., İhlas Plaza, No: 11 B/21 Yenibosna – Bahçelievler, İSTANBUL, with Tax No. 470 007 3778 of the Marmara Corporate Tax Department. The Company manufactures home appliances in two plants: one located at Istanbul Beylikdüzü, Mermerciler Sanayi Sitesi 7. Cd. No: 12 and the other located at Istanbul Beylikdüzü, Mermerciler Sanayi Sitesi 2. Bulvar No: 11. Also, the Company has a warehouse located in Hastane Mah. Hadımköy Nakkaş Yolu Cad. No:21 Arnavutköy / Istanbul.

The Company conducts manufacturing operations in seven facilities: one administrative building and six production facilities. The production facilities consist of a cleaning robot plant, a water heater and water treatment plant, a plastic injection plant, an electric room heater plant, a carpet cleaner plant, and a carbon filling plant with a total of 21,075-square meter enclosed area.

The Company is registered with the Istanbul Chamber of Commerce and the Istanbul Chamber of Industry under Registry Nos. 135455 and 17984, respectively. The July 29, 2013, dated Capacity Report (No. 2013-1481), which the Company obtained from the Istanbul Chamber of Industry, is valid until July 07, 2016.

The Group’s average number of employees during the annual reporting period is shown in the table below:

Number of Personnel	31.12.2013		31.12.2012	
	Administrator	Worker	Administrator	Worker
Parent Company	79	187	92	193
Subsidiaries	7	39	9	46
TOTAL	86	226	101	239

The Company’s shareholding structure is depicted in the table below;

Title	31.12.2013		31.12.2012	
	Share %	Share Amount	Share %	Share Amount
İhlas Pazarlama Yatırım Holding A.Ş. ⁽¹⁾	17,60	33.681.000	17,60	33.681.000
İhlas Holding A.Ş. ^{(1) (2)}	7,55	14.445.795	7,32	14.000.000
Open to the Public	74,83	143.205.723	74,83	143.205.723
Other	0,02	37.483	0,25	483.278
Total	100,00	191.370.001	100,00	191.370.001

Real and legal entities that own the capital indirectly:

Title	31.12.2013		31.12.2012	
	Share %	Share Amount	Share %	Share Amount
Open to the Public	95,59	182.937.065	95,51	182.787.613
Ahmet Müchaid Ören	2,72	5.206.499	0,71	1.351.202
Enver Ören	-	-	2,47	4.731.793
Other	1,69	3.226.437	1,31	2.499.393
TOTAL	100,00	191.370.001	100,00	191.370.001

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Partner Name / Title	Series	Group	Bearer / Registered	Number of Shares	AMOUNT
İhlas Pazarlama Yatırım Holding A.Ş.	I	A	Bearer	4.049.920	40.499
İhlas Holding A.Ş.	I	A	Bearer	647.040	6.470
Ali Tubay Gölbaşı	I	A	Bearer	156.180	1.562

If the General Assembly determines the Board of Directors to be comprised of 5 members, 3 of the Board Members, if it is determined as 7, 4 of the Board Members, if it is determined as 9, 5 of the Board Members, if it is determined as 11, 6 of the Board members are to be selected from among candidates nominated by group (A) shareholders. If the change to the articles of association violates the rights of privileged shareholders the General Assembly decision must be approved by the board of privileged shareholders.

Subsidiaries Included in the Consolidation (Based on Effective Rate)

1- İhlas Madencilik A.Ş. (İhlas Madencilik): The company engages in mining operations.

2- Mir Maden İşletmeciliği Enerji ve Kimya San. Tic. Ltd. Şti. (Mir Maden): The company engages in mining, chemicals, and energy operations.

3- Detes Enerji Üretim A.Ş. (Detes Enerji): The company engages in establishing, operating, or leasing out power generation plants, generating electric power, and selling this electric power and/or capacity to customers.

NOTE 2 – Principles Regarding the Presentation of Financial Statements

A. Fundamental Presentation Principles

The Applied Accounting Standards

The Company keeps accounting records and prepares legal financial statements in Turkish Lira (TL) according to Turkish Commercial Code, finance regulations and the requirements of the Uniform Chart of Accounts published by the Ministry of Finance. The consolidated financial tables are based on the legal records of the Group and have been subjected to corrections and classifications to make them compliant with the Capital Market Board (“CMB”) communiqués.

The CMB Series II, No:14.1 “Communique on the Principles Concerning Financial Reporting in the Capital Market” was published in the Official Newspaper dated June 13, 2013 to be in force for interim period financial reports ending after April 1, 2013. This communiqué determines that procedures and principles for preparing and presenting financial reports for companies. With this communiqué the former Communique Series: XI, No: 29 on “Principles of Financial Reporting in the Capital Market” has been removed from enforcement.

Companies prepare their financial tables pursuant to the Seri II, No: 14.1 “Communique on the Principles Concerning Financial Reporting in the Capital Market” in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards (“TAS/IFRS”) published by the Public Oversight and Audit Standards (“POA”). Therefore the financial tables included here have been prepared in accordance with IAS/IFRS and additional comments.

Related Parties

IAS 24 “Related Party Disclosures Standard”, states that parties are considered to be related if one party has the ability to control the other party or to exercise significant influence or joint control over the other party directly or indirectly, including through shareholding, contractual benefits, and familial relations. Furthermore, related parties include investors and company management. Related party transactions consist of the transfer of assets, services, or liabilities between related parties, regardless of whether a fee is applicable. Segmented as “related parties” for purposes of the financial statements are shareholders of the Company, the group companies in indirect capital relationships with the Company, members of the Board of Directors, executive managers, and other key management personnel.

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Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including all directors, whether executive or otherwise (Note:38).

Due to ordinary activities, related party transactions have generally been performed at prices compatible with market conditions. All of the Group's balances with companies they are in direct or indirect affiliation with and all transactions carried out with them have been presented in Note 38.

Basis of Consolidation

The consolidated financial statements include the accounts of İhlas Ev Aletleri İmalat San. ve Tic. A.Ş., the Parent Company, and subsidiaries such as İhlas Madencilik, Detes Enerji, and Mir Maden (all together referred to as the "Group"). Subsidiaries are included in the consolidation as of the date the control is transferred to the Group; and are taken out of the subsidiaries consolidated at the date the control leaves the Group. The Group's consolidated financial statements includes subsidiaries, which are companies where the parent company has either the power to use more than 50% of the parent company's voting rights, directly or indirectly, according to the parent company's shares in the subsidiary company or the power and authority to control the business and financial policies of the subsidiary company for the parent company's own benefit without having the power to use over 50% of the parent company's voting rights.

Subsidiaries have been consolidated as per the full consolidation method; thus, the recorded values for subsidiaries have been netted in light of their relevant equities. Equities and net current profits assigned to the beneficiaries of the subsidiaries outside the parent company are shown as minority shares in the consolidated balance sheet and consolidated comprehensive income statement. The Group evaluates the activities of selling and buying the shares of subsidiaries that are under its control with minorities as a method of extending the parent company. Therefore, the difference between the subsidiary's share purchased based on the recorded net value of its assets and the cost of acquisition within the scope of buying and selling transactions of shares outside the parent company is accounted into equity. In other words, the changes in the parent company's shares of the subsidiary, given there is no loss of control, are recorded as equity transactions.

Balances and transactions between Group companies, including inter-company profits and unrealized profits and losses have been eliminated. Similar accounting principles have been used for similar events and transactions in the consolidated financial statements. In the event of having more than 20 percent but less than 50 percent of voting rights of the company invested in, either directly or indirectly, and unless otherwise proven, the transaction is considered as having a significant effect and the company invested in is accepted as a subsidiary.

Subsidiaries Included in the Consolidation (Based on Effective Rate)

Company Title	Share (%)
İhlas Madencilik	%63,82
Detes Enerji	%99,84
Mir Maden	%52,15

As per IAS 39 "Financial Instruments: Recognition and Measurement", subsidiaries and associations that bear no major significance on the consolidated financial statements, whose fair values cannot be reliably determined since they are not traded on recognized stock markets, as well as long-term securities traded on recognized stock markets, and where the Group has no significant effect, have been classified as ready-to-sell financial assets and have been recognized as such. Shares and titles of related companies are as depicted below.

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Subsidiaries, Associations, and Long-Term Securities Not Included in Consolidation (Based on effective rate)

Company Title	Share (%)
İhlas Mining Ltd. Şti. (İhlas Mining)	%57,44
İhlasGazetecilik A.Ş.	%1,03

Comparative Information and Adjustments to the Financial Statements from the Previous Year

The Company's consolidated financial statements are prepared compared to the previous year in an effort to identify financial conditions and performance trends. As presentation or classification of items in the financial statement changes, those statements from the previous year are also changed and re-segmented, accordingly, so the two statements are comparable. In accordance with these formats for capital market companies in the scope of the Communiqué on Financial Reporting in the Capital Market enforced for interim periods ending after March 31, 2013 as per decision no. 20/670 dated June 7, 2013 of the CMB some items presented in the Group's consolidated financial statement dated 31.12.2012 and 01.01-31.12.2012 accounting period other comprehensive income table have been reclassified and reported therefore the Group's previous term consolidated financial statements and consolidated other comprehensive income tables have been reclassified. Information about the classifications in question have been provided in Note:42.

In the event the Group applies an accounting policy retrospectively or a company adjusts or reclassifies items in its financial statements retrospectively, footnotes for the financial statement (balance sheet) for at least three periods and footnotes for other statements (comprehensive income statement, cash flow statement, and equity adjustment statement) for at least two periods must be presented

The Group presents financial statements for each reporting period mentioned below:

- As of the end of current annual reporting period
- As of the end of the previous annual reporting period
- As of the beginning of the most recent comparative annual reporting period

Statement regarding Inflation Accounting and Reporting Currency

As per the decision dated March 17, 2005, the CMB announced that effective January 1, 2005, companies who operate in the Turkish market and prepare financial statements according to the CMB Financial Reporting Standards do not need to apply inflation accounting. Hence, IAS 29, "Financial Reporting in Hyperinflationary Economies" standard, published by the IASC, was not applied in the consolidated financial statements dated December 31, 2012, effective as of January 1, 2005.

Consolidated financial statements dated December 31, 2013, and those from previous periods to be used for comparative purposes, were prepared in Turkish lira (TL). Pursuant to IAS 21, "The Effects of Changes in Foreign Exchange Rates", foreign currency transactions have been recorded as functional currency by applying the spot exchange rate between the relevant foreign currency and the functional currency at the date of transaction.

As of December 31, 2013 and December 31, 2012 the closing foreign currency exchange rates announced by the Central Bank of Turkey are shown in the table below.

FOOTNOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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Currency	Foreign Exchange Rates (TL/Foreign Currency)	
	31.12.2013	31.12.2012
USD	2,1343	1,7826
EURO	2,9365	2,3517
GBP	3,5114	2,8708

New and revised standards and interpretations

The consolidated financial statements for the fiscal year ending in December 31, 2013 have been prepared according to the accounting policies that were used in the previous years, except for the new and revised standards effective as of January 1, 2013 and the interpretations by the International Financial Reporting Interpretations Committee (IFRIC). The effect of these standards and interpretations on the Group's financial status and performance are described in the relevant paragraphs.

New standards, amendments, and interpretations effective as of January 1, 2013 are as follows:

IFRS 7 Financial Instruments: Explanations – Netting of Financial Assets and Payables (Amended) The amendment provides an explanation concerning the rights and relevant regulations (example assurance contracts) pertaining to the netting of the company's financial instruments. The explanations provide helpful information to table users for

- Assessing the effects and probable effects on the company's financial status of netting transactions and
- Comparing and analyzing financial tables that have been prepared according to IFRS and other generally accepted accounting principles.

The new explanations must be provided for all financial instruments that are netted in accordance with IAS 32. The explanations in question are also valid for applicable main netting arrangements and financial instruments subject to a similar agreement even if they have not been netted in the statement in accordance with IAS 32.

The amendment only impacts the principles of explanation and has had no effect on the Group's consolidated financial tables.

IAS 1 Presentation of Financial Statements (Amendment) – Presentation of Other Comprehensive Income Statements

The amendments will only change the grouping of items shown in the other comprehensive income statement. Items that may be classified (or recovered) in the comprehensive income statement at a future date will be shown separately from items that will never be classified in the income statement. The amendments must be applied retrospectively. The amendments only effect the basis of presentation; thus, this amendment will not have any effect on the financial status and performance of the Group.

IAS 19 Employee Benefits (Amendment)

The amendment to the standard has clarified many topics and has changed many practices. The most significant ones of the many changes made are the elimination of termination liabilities interval mechanism, listing of actuarial profit/loss related to defined benefit plans under other comprehensive income, and separation of short-term and long-term employee social rights not based on employees eligibility but based on the estimated payment date of the liability. The Group had been recording actuarial profit/loss on the income table before this amendment. The effect of the change that is generated by actuarial profit/loss being recorded under other comprehensive income on the Group's financial status and/or performance has been corrected retrospectively.

IAS 27 Separate Financial Tables (Amendment)

As a result of amendments to IFRS 10 and IFRS 12, the IASB has made changes to IAS 27 as well. As a result of these amendments, IAS 27 now only covers topics related to the accounting of subsidiaries, joint ventures, and associates in separate financial statements. The mentioned amendments have not had any effect on the Group's financial status and performance.

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IAS 28 Investments in Associates and Joint Ventures (Amendment)

As a result of publishing IFRS 11 and IFRS 12, the IASB has amended IAS 28 and changed its name to IAS Investments in Associates and Joint Ventures. The amendments have brought accounting of associates as well as joint ventures by method of equity.

The mentioned standard is not expected to have any effect on the Group's financial status or performance.

IFRS 10 Consolidated Financial Tables

IFRS 10 - has replaced the part on consolidation in IAS 27 Consolidated and Separate Financial Statements. "Control" has been redefined for use in determining which companies will be consolidated. It is a principle based standard that allows more room for financial statement preparers to be able to decide. The mentioned standard has not had any significant effect on the Group's financial status or performance.

IFRS 11 Joint Arrangements

This standard regulates how joint ventures and joint activities will be recognized. Proportional consolidation of joint ventures is no longer permitted within the scope of this new standard. The mentioned standard has not had any effect on the Group's financial status or performance.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 contains all footnote disclosures related to associates, joint ventures, and subsidiaries. This standard is concerning only principles of presentation and has not had any effect on the disclosures made by the Group.

IFRS 13 Fair Value Measurement

The new standard explains how fair value is measured in line with IFRS, but does not change when fair value can and/or needs to be used. It is a guideline for all fair value measurements. Furthermore, the new standard brings additional disclosure obligations regarding fair value measurements. The new disclosures only need to be made as of the date that IFRS starts to be enforced. Some of the explanations concerning financial instruments must be presented in the financial tables as per IAS 34.16 A (j). The standard has had no effect on the Group's consolidated financial tables.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

(Stripping) Costs: The interpretation clarifies when and under what circumstances stripping costs in the production phase can be recognized as asset, initial recording of the recognized asset, and how it will be measured in the following years. The standard has had no effect on the Group's consolidated financial tables and/or performance.

Implementation Guide (IFRS 10, IFRS 11 and IFRS 12 Amendment)

The amendments have only been made in the implementation guide to eliminate the need to make retrospective corrections. The first application date has been determined as "the start of the period in which IFRS 10 is applied for the first time". The evaluation on whether there is a control or not will be done on date of implementation rather than the beginning of the period in which it is presented comparatively. If the control evaluation done based on IFRS 10 is different than the one done by IAS 27 / IFRIC 12, effects of retrospective adjustments must be identified. However, if the evaluation results are the same, there is no need for retrospective adjustment. If more than one comparative period is being presented, only the previous period can be adjusted. The IASB has amended the IFRS 11 and IFRS 12 in the implementation guide for the same reasons, and has eased the transition clauses. The mentioned standard has not had any significant effect on the Group's financial status or performance.

Improvements to IFRS

The 2009-2011 period annual IFRS improvements for the fiscal years starting on January 1, 2013 and later have not had any significant effect on the Group's financial status or performance.

IAS 1 Presentation of Financial Statements:

Difference between minimum mandatory comparative information and optional comparative information has been clarified.

IAS 16 Tangible Fixed Assets:

The fact that spare parts and maintenance equipment matching the tangible asset definition are not inventory has been clarified.

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IAS 32 Financial Instruments: Presentation:

The need to recognize tax effect of distributions to shareholders within the scope of IAS 12 has been clarified. This amendment brings the need to recognize all types of income tax arising from eliminating all existing liabilities in IAS 32 and making distributions to shareholders within the scope of the clauses in IAS 12.

IAS 34 Interim Financial Reporting:

The required disclosures regarding total segment assets and liabilities for each operating segment in IAS 34 has been clarified. If only information on total assets and liabilities of all operating segments are reported periodically to the authorities entitled to make decisions regarding the operations of the company, and if a significant change in the total amount disclosed compared to previous years' statements exists, then it must be explained.

Standards, which have been published but are not in force and not in early implementation

The new standards, interpretations and amendments which have been published as of the approval date of the current financial tables but are not in force for the current reporting period and have not been implemented early by the group are as follows. Unless specified otherwise the Group will make any changes that affect its consolidated financial tables and footnotes after the new standards and comments have gone into force.

IAS 32 Financial Instruments: Presentation - Offsetting of Financial Assets and Liabilities (Amendment)

The amendment clarifies the meaning of "having a legally enforceable right to set off the amounts", and clarifies the scopes of its application in systems where the IAS 32 offsetting principle does not take place simultaneously and in settlement systems with gross payments, like clearing offices. The amendments will be effective for years starting on or after January 1, 2014, and will be implemented retrospectively. The mentioned standard is not expected to have any significant effect on the Group's financial status or performance.

IFRS 9 Financial Instruments – Classification and Disclosure

With the amendments made in December 2011, the new standard will be effective for annual periods starting on or after January 1, 2015. The first phase of IFRS 9 Financial Instruments brings new clauses regarding the measurement and classification of financial assets and liabilities. The amendments to IFRS 9 will mainly effect the classification and measurement of financial assets and measurement of financial liabilities classified as measured by reflecting differences in fair value to profit or loss. Furthermore, the amendments to IFRS 9 bring the presentation of adjustments in fair value of such financial liabilities related to credit risk under the comprehensive income statement. Early adoption of this standard is permitted. This standard has not yet been approved by the European Union. The Group is assessing the effects of the standard on its financial status and performance.

TFRYK Interpretation 21 Required Taxes

This comment clarifies the fact that actions by the company that generate required tax must be recorded in the framework of relevant laws on the date that they take place. It also clarifies that only if the action generating the required tax within the relevant regulations takes place within a period in installments can it accrue in installments. A tax that is generated when a minimum limit is exceeded shall not be recorded until that minimum limit is exceeded. This interpretation is valid for the annual fiscal years that start on January 1, 2014 and after and early application is allowed. This interpretation must be applied retrospectively. This comment is not valid for the group and therefore is not expected to have an effect on the Group's financial statement and/or performance.

IAS 36 Impairment of Assets – Explanation of recoverable value for non-financial assets (Amendment)

After the changes made in the IFRS 13 "Fair value measurements" the IAS 36 has made some explanations concerning the recovering of asset that have been repaired in the impairment of assets IAS 36. The amendment has brought additional explanations concerning the measurement of recoverable amount after the selling cost is deducted from fair value in impaired assets (or an asset group). This amendment will be applied retrospectively to annual fiscal periods starting on January 1, 2014 and after. If the company has implemented IFRS 13 early application is allowed.

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The amendment in question has affected the explanation provisions and has no effect on the Group's financial statement and/or performance.

IAS 39 Financial Instruments: Recognition and Measurement – Transfer of derivative products and continuation of protection from risk recognition (Amendment)

IAS 39 Financial Instruments: The amendment made in the Recognition and Measurement standard brings an exception to the provision that requires protection from risk recognition to be stopped when a financial risk protection instrument is legally or as the result of regulations in transferred to a central party. This amendment will be applied retrospectively to annual fiscal periods starting on January 1, 2014 and after. The amendment in question will have no effect on the Group's financial statement and/or performance.

New and corrected standards and interpretations that have been published by the International Accounting Standards Committee (IASC) but not by the POA:

The new standards, interpretations and amendments to the existing IFRS standards listed below have been published by the IASC but are not enforced for the current period. However these new standards, interpretations and amendments have not yet been adapted to the IFRS/published by the POA and for this reason cannot constitute a part of IFRS. The Group will make the necessary changes in the consolidated financial tables and footnotes after they have gone into force in the IFRS.

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 has been changed to bring an exception for companies that fit the description of an investment company to be exempt of consolidation clauses. With the exemption brought on the consolidation clauses, subsidiaries of investment companies need to be recognized at fair value, as per the clauses of IFRS 9 Financial Instruments The mentioned amendments are not expected to have any effect on the Group's financial status and performance.

IFRS 9 "Financial Instruments – Protection from Risk Recognition and IFRS 9, IFRS 7 and IAS 39 amendments - IFRS 9 (2013)" The IASC has published a new version of IFRS 9 that includes risk protection recognition and IAS 39 and IFRS 7 amendments in November of 2013. Companies can make an accounting policy selection in order to continue applying the requirements of the IAS 39 risk protection recognition for protection against all risks. This standard has no required validity date but is still applicable and a new required validity date will be determines after completing the impairment phase of the IASC project. The group is assessing the effects of the standard on financial statements and/or performance.

IFRS Improvements:

The IASC has published two series of "Annual IFRS Improvements" in December of 2013 for the '2010-2012 period' and '2011-2013 period'.

The amendments other than those that impact "Decision Reasons" of the standards are valid as of July 1, 2014.

Annual Improvements - 2010-2012 Period

IFRS 2 "Stock Based Payments": Definitions concerning earning conditions have been changed to performance conditions and service conditions. Amendment will be applied prospectively.

IFRS 3 "Company Mergers": The conditional cost that is not classified as equity in a company merger is recognized in profit or loss having been measured from its fair value in later periods whether or not it is in the scope of IFRS 9 Financial Instruments.

IFRS 8 "Operation Sections": Amendments are as follows:

- Operation sections can be merged/grouped in consistency with the main principles of the standard.
- If reconciliation of operation assets with total assets is being reported to the authority who is authorized to decide on the company operations it must be disclosed. Amendments to be applied retrospectively.

IFRS 13 "Fair Value Measurement": As explained in the Decision Justifications it will be possible to show short term commercial receivables and payables on which no interest rate as their invoiced amount when the effect of a discount is unimportant. Amendments will apply immediately.

IAS 16 "Tangible Fixed Assets and IAS 38 Intangible Fixed Assets ": The amendment in IAS 16.35 (a) and IAS 38.80 (a) has clarified that revaluation is to be done as follows.

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- i) The gross ledger of assets is corrected to bring it to fair value or
 - ii) The net ledger value of the asset is determined to be the market value and the gross ledger value is corrected proportionally to bring the net ledger value to market value. The amendment will be made retrospectively.
- IAS 24 "Related Part Disclosures": The amendment has clarified that management operations which provide key management personnel services are subject to related party disclosures. The amendment will be made retrospectively.

Yearly Improvements - 2011-2013 Period

IFRS 3 "Mergers": Amendment, It has been clarified that

- i) neither business partnerships nor joint ventures are within the scope of IFRS 3
- ii) and this scope exception is only applicable to the recognition on the financial tables of a joint agreement. The amendment will be made prospectively.

IFRS 13 "Fair Value Measurement": It has been clarified that the portfolio exception in IFRS 13 can only be applied towards financial assets, liabilities and other agreements. The amendment will be made prospectively.

IAS 40 "Investment Properties": The reciprocal relation between IFRS 3 and IAS 40 in the classification of properties as investment properties and properties used by the owner has been clarified. The amendment will be made prospectively.

IFRS 14 "The Temporary Standard Regarding Accounts Deferred Subject to Regulation ": The IASC published this standards in January 2014. IFRS 14 allows operations using IFRS for the first time and for which the prices are regulated to be able to carry the prices they have entered on record before the price regulation onto the financial tables they have prepared according to the IFRS. It has been forbidden for businesses still preparing financial tables according to IFRS to implement this standard. The standard will be applied retrospectively on annual accounting periods starting on January 1, 2016 and after but early application is allowed. It is not expected that these amendments will have any significant impact on the Group's financial state and/or performance.

The principle decisions issued by the POA

In addition to those mentioned above the POA has issued the following principle decisions concerning the practice of International Accounting Standards. The "Financial table samples and user guides" have become valid as of the issuance date but other decisions are to be valid as of the yearly reporting periods that start after December 31,2012.

2013-1 Financial Table Samples and User Guide

On May 20,2013 the POA issued the Financial Table Samples and User Guide in order to make financial tables uniform and simplify their audit. The financial tables included in this regulation have been published to constitute an example for the financial tables that must be prepared by companies obligated to comply with IFS outside of those established to carry out banking, insurance, private retirement or capital markets activities. The Group has made the changes specified in Note 2 and 42 in order to carry out the requirements of this regulation.

2013-2 The Recognition of Business Mergers Subject to Joint Control

According to the decision it is required that i) The merging of companies subject to joint control must be recognized by the merging of rights method, ii) therefore goodwill must be included in the financial tables and iii) while the merging of rights is being implemented the financial tables must be amended as if the merger took place at the beginning of the reporting period in which joint control occurred and presented comparatively as of the beginning of the reporting period in which the joint control was formed. The said decisions have not had any effect on the Group's consolidated financial tables.

2013-3 The Recognition of Dividend Shares

In which situations dividend shares are to be recognized as financial liability and in which they are to be recognized as a financial instrument based on equity is clarified. The mentioned decisions have no bearing on the Group's consolidated financial tables.

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2013-4 The Recognition of Reciprocal Participation Investments

The existence of shares belonging to a company in a company in which they have affiliation investment is defined as a reciprocal participation relationship and the issue of recognizing reciprocal participations has been assessed based on the type of investment and the different accounting principles that are applied. The subject principle decision has been evaluated under three headings below and an accounting principle has been determined for each one.

- i)The state of the affiliated partnership having financial instruments dependent on the equity of the main partnership,
- ii)The state of the affiliates or business partnership having financial instruments dependent on the equity of the of the investor company
- iii)The state of the company being owned by a company with equity dependent financial instruments and an investment that is recognized within the scope of IAS39 and IFRS 9. The decisions in question do not have an effect on the Group's financial tables.

Offsetting

To the extent allowed by the standards or notes, the receivables - payables and income-expenses have not been offset. Assets and liabilities are shown in net where legal and the assets and liabilities in question are intended to be assessed as net values if the assets are acquired simultaneously with liabilities being met. Offsetting does not pertain to showing assets after deducting regulatory accounts, such as inventory impairment provisions and doubtful payables provisions.

B. Changes in Accounting Policies

Companies must have the ability to compare financial statements over time in order for the users to be able to identify the financial status, performance, and cash flow trends of a business. Therefore, the same accounting policies apply to each interim period and fiscal year.

The following do not constitute adjustments to the accounting policies:

- Implementation of an accounting policy for events or transactions that differ in essence due to actions that may have taken place before; and
- Implementation of a new accounting policy for events or transactions that have not arisen nor have had any previous importance.

The Company employs the same accounting policies for all periods as required by the consistency principle.

C. Changes and Errors in Accounting Policies and Estimates

Material changes to accounting policies and material accounting errors detected are applied retrospectively, and the previous period's financial statements are readjusted. If the changes in accounting estimates are only for one period, they are applied during the current period when the changes occur; if they are for future periods, they are applied to both the current period when the changes occur and future periods as projected.

D. Summary of Important Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalent items are other short term investments which have a maturation of 3 or less than 3 months as of the date of deposit or purchase, which can immediately be turned into cash and do not carry a high risk of impairment. The ledger value of these assets is close to their fair value.

Financial Investments

There are three groups of financing investments: financial assets held for trading (whose fair value difference is recognized in the income statement), held-to-maturity investments, and available-for-sale financial assets. During the initial recognition of financial assets whose changes in fair value are not included in profits or losses, the transaction costs directly related to the acquisition of the relevant financial asset are added to the recognized fair value.

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Financial assets for purchase-sale are comprised of securities which are obtained to provide profit from the price and other fluctuations occurring in the market in the short term or independent of the purpose for attaining them part of a portfolio for gaining profit in a short term and banks with a maturity of longer than three months. Initially, financial assets held for trading are measured at fair value. Transaction costs related to the acquisition of the relevant financial asset are added to the fair value; the relevant financial assets are measured at fair value in the periods subsequent to the initial recognition. Gains or losses from valuation are recognized in profit or loss. Financial assets held for trading without an active market are recognized from amortized costs in the subsequent periods. Interest accrued during the possession of securities held for trading are initially recognized under interest income and then under dividend income from profit. Trading transactions of securities held for trading become either recognized or de-recognized according to the delivery dates.

Held-to-maturity investments are financial assets with fixed or determinable payments that an entity intends to hold or that can be held until maturity. Held-to-maturity investments are measured at amortized costs that have been calculated using the effective interest method in the periods after recognition. Gains or losses from valuation are recognized in profit or loss. The effective interest method is the method that calculates amortized costs of a financial asset (or a financial asset group) and distributes the interest income or expense over the relevant period. The effective interest rate is the rate that precisely discounts estimated future cash payments or receipts for the expected life, or a shorter period if applicable, of the financial instrument to the net carrying amount of the financial asset or liability.

Available-for-sale financial assets are financial assets that are available for sale and are not designated as financing investments that are held to maturity or as assets at fair value through profit or loss on initial recognition. If the market is inactive, available for sale financial assets are valued at the fair market value; the gains or losses resulting from this valuation are recognized as equities until they are de-recognized, as such. If there are no active markets for available-for-sale financial assets, they are valued at the amortized cost.

Trade Receivables

Trade receivables from future sales are recognized at the amortized cost based on the effective interest method. Short-term trade receivables that do not have a specified interest rate are recognized at billed value when the interest accrued has insignificant effect. If the effective rate of interest for trade receivables is not known, the imputed rate of interest is assumed. Because as per trade practices, its receivables and payables do not have a cash value and it does not apply delay interest in sales, the Group has used LIBOR as the effective interest rate.

Classified under trade receivables, promissory notes and dated checks are subject to rediscounting and are reported with values reduced through the effective interest method (amortized cost value).

The difference between the nominal value and the amortized value of trade receivables is recognized by interest income according to IAS 39 "Financial Instruments: Recognition and Measurement".

Doubtful receivable provisions are recognized as expenses. Provision is the amount that offsets damage due to risk, according to the nature of the account or to economic conditions, and is assumed by the Company's management.

There are several ways a receivable may be evaluated as being doubtful:

- Doubtful receivables from previous years;
- The debtor's ability to pay; or
- Extraordinary conditions in the industry and in the economy.

As stated in IAS 1 "Presentation of Financial Statements", since trade receivables are a part of the working capital used by a company in its regular operating cycle, trade receivables must be classified as short-term even if they will be collected within or more than twelve months from the balance sheet date.

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Inventories

Inventories are required to be stated at the cost or net realizable value, whichever is lower. Inventory costs include all purchasing costs, conversion costs, and any other costs incurred in bringing the inventories to their present location and condition. The individual cost of inventory is calculated using the weighted average method. The distribution of fixed production overheads to conversion costs are based on the assumption that manufacturing activities will be at normal capacity. The normal capacity is the average volume of manufacturing expected over multiple periods or seasons under normal conditions, taking into account the decrease in capacity from scheduled maintenance and repairs. If actual production rate is close to the normal capacity, this capacity can be assumed as the normal capacity.

Net realizable value is the estimated cost of sales in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. Renewal cost of raw materials and supplies may be the best measure to reflect the net realizable value.

For each inventory item, acquisition costs of inventories are written-down values at the net realizable value in order to set aside any provisions for impairments of the inventory. In other words, if the cost of the inventory is greater than the net realizable value, the cost is a written-down value at the net realizable value subtracted by the provision for the impairment. Otherwise, no transaction can be performed.

If the difference between the cash purchase price and the inventory purchase price with a deferred payment includes financing, then the financing is recognized as an interest expense for the period of financing.

Investment Properties

An investment property is property (land or building and/or a part of a building) held on hand in order to obtain rental income and/ or appreciation surplus (by the owner or the lessee depending on the financial leasing contract) rather than the purposes enlisted below:

- Usage for administrative purposes or in the procurement or production of goods or services; or
- Sale as part of regular business flow

Investment properties are held on hand in order to obtain rental income and/or capital gain (appreciation surplus).

An investment property is recognized by the Group as an asset if and only if it meets both of the following conditions:

- The inflow of the future economic benefits from the property is probable.
- The cost of the investment property is accurately measurable.

An investment property is measured by its initial cost. Transaction cost is also included in the initial measurement. However, investment property acquired via financial leasing is recognized based on the lesser value of the fair value or current value of the minimum rental payment.

Fair value of an investment property is determined as the value that arise in the event of handover of an asset among willing groups with knowledge or paying a debt. Fair value is determined on the best possible estimate if the property does not have a market. Fair value is determined on the best possible estimate if the property does not have a market.

Thus, fair value can change as a result of the fluctuations in the estimate and market conditions. When determining fair value, an expert opinion on factors like the asset's risks, market conditions, and depreciation must be considered.

Accordingly, the Group has studied whether the value of its investment properties was appraised or impaired. As a result of this study, the impairment value of its investment properties for the current period has been calculated with other costs in the comprehensive income statement. Profit or loss resulting from the changes in the fair value of the investment property is recognized in the profit or loss for the period in which it occurs, not in the other operational profit/losses. As a result of the studies done by the Group to determine whether an impairment or increase in value was in question for investment properties, the value increases which emerged in the current period were associated with the incomes account under the comprehensive incomes table investment activities (Note 32). Detailed information about the appraisal is provided in Footnote 17.

The profit or loss generated by the change in the real value of the investment property is included in the profit or loss of the period in which it is generated and recognized in the income/expense from investment activities.

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Transfers have been made in the current period between property and building shares taking into account current appraisal reports.

Even if bought together, land and buildings, are separable fixed assets and are recognized separately.

Property leased to and used by the parent company or the subsidiaries are not evaluated as investment property in the consolidated financial statements. These properties are evaluated as property used by owner, and are reported under tangible fixed assets.

Tangible and Intangible Fixed Assets

The cost of a tangible or an intangible asset may be reported under assets in the financial statement only if:

- It is probable that the future economic benefits attributable to the asset will flow to the enterprise; and
- The cost of the asset can be measured reliably.

Intangible and tangible assets are measured at cost for initial recognition. In the subsequent periods, they are measured using either the cost model or the revaluation model.

The initial cost of long-term assets consists of the purchasing price that includes customs, non-refundable purchase taxes, and direct costs incurred until the asset is in working condition.

The cost model is the recognition of intangible and tangible assets at cost, less any amortization and impairment losses.

The revaluation model recognizes intangible and tangible assets at a revalued amount after being recognized as an asset whose fair value can be determined reliably. The revalued amount is the fair value at the revaluation date less subsequent amortization and impairment losses. Revaluations are performed regularly in order not to create significant differences between the residual value and the amount calculated using the fair value on the date of the balance sheet. If there are indications of significant changes for the property where the it uses revaluation model, the Company has it revalued. Since there is not an active market for its other intangible and tangible assets besides property, the Company applies the cost model. In line with IAS 36 Impairment of Assets, the Group has conducted an impairment/appraisal study on its properties. The result of these studies show there is neither an impairment nor an appraisal on its properties for the current period. The study has been done with expert individuals/institutions by taking into account criteria like fair value stripped of cost of sales (net sales price), location of the tangible assets, imputed transactions, and whether it has a market or not.

When a tangible asset is revalued, the accumulated depreciation at the time of the revaluing is readjusted proportionally to the asset's gross book value. Thus, the book value of the asset after revaluing is equal to its revalued value.

IAS 2 "Inventories" and IAS 16 "Property, Plant, and Equipment" standards are applied to the transfers made from the Group's inventories to its tangible assets with the intention to use in its business operations. Accordingly, the transfer is based on the fair value at the time of the transfer.

Amortization is calculated based on the method and useful life indicated in the table below using normal amortization methods and criteria:

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	Useful Life (Years)	Method
Aboveground and underground setups	5	Linear
Machinery, plants and equipment	50	Linear
Vehicles, tools, and instruments	5-10	Linear
Fixtures and appliances	3-10	Linear
Rights	1-10	Linear
Mining rights, research and development expenses	0-10	Linear
Other Intangible Assets	5-10	Linear

The useful life and amortization method is reviewed regularly to ensure the amortization method and period reflect economic benefit. Even if bought together, land and buildings, are separable fixed assets and are recognized separately. There is no amortization for assets such as property and land, for the useful life of such is indeterminable or indefinite.

Tangible assets are checked for impairment when an event or circumstance arises in the existing conditions regarding the recoverability of the value of the tangible assets. When such events or circumstances arise, or when the carried value exceeds realizable value, those assets are written-down values at their realizable value. The realizable value is the higher of an asset's net selling price and its value in use. When calculating value in use, the estimated future cash flow expected to arise is discounted to present value, using the pre-tax rate that reflects the risks specific to the asset. Realizable values for assets that do not generate large cash inflow independently from other assets or groups of assets are determined for the cash-generating unit to which the asset belongs.

The relevant tangible asset is subjected to depreciation based on its estimated remaining useful life. Amortization and impairment losses of tangible assets are recognized under administrative expenses, sales costs, and idle capacity expenses in the idle capacity columns of the income statement. The Company conducts impairment tests on its assets. Net sales prices for some assets are determined taking into account "second-hand market value" and as "depreciated renewal costs" for assets that do not have a second-hand market. Because the net sales price for these assets were equal to or more than their book value, their depreciation value has not been calculated; and thus, no impairment provision has been set aside. If the net sales price for some assets, like goodwill, cannot be determined, depreciation value is used for impairment testing.

Intangible assets represent rights, rights regarding mining investments, research, and development expenses, and other non-monetary items. Intangible assets purchased before January 1, 2005, are recognized as cost adjustments due to the effects of inflation, as of December 31, 2004; those purchased after December 31, 2004, are recognized as the purchasing cost minus the accumulated amortization and impairment values. Amortization of intangible assets was calculated using the straight-line method from the useful life of the assets, without exceeding their economic life starting from the date of purchase. Moreover, no intangible asset has an indefinite useful life. Amortization of intangible assets are recognized under administrative expenses, sales costs, and idle capacity expenses in the idle capacity columns of the income statement.

Profit or loss from discarding tangible and intangible assets is determined by comparing the net book value with the sales value and is recorded under income and cost from other activities.

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As per IFRS 6 "Exploration for and Evaluation of Mineral Assets", rights regarding mining investments, research and development expenses within intangible assets are capitalized based on cost value when an economic benefit in the future is probable. Moreover, these intangible assets are amortized based on the economic benefit. Rights and research and development expenses recorded via amortization or direct cost cannot be capitalized afterwards even if a reserve for a tradeable mineral is detected as a result of this research. Acquisition of exploration rights, the topographic, geological, geochemical, and geophysical studies, exploratory drilling, and other similar types of expenses are included in the cost during the initial recognition of research and development assets. "The Framework for the Preparation of Financial Statements" and the standards of IAS 38 "Intangible Assets" are applied in recognition of assets emerging from exploration activities. Removal and restoration liabilities arising during a certain period as a result of assuming exploration for and evaluation of mineral resources are recognized in the financial statement, according to the standards of IAS 37 "Provisions, Contingent Liabilities, and Contingent Assets". Receivables, payables, income and expenses, and cash flow resulting from the exploration for and evaluation of mineral resources are presented in the disclosures within the report.

Held-for-sale Fixed Assets and Discontinued Operations

Assets held in hand for the purpose of recovering the registered value through selling it rather than using it are classified as held for sale fixed assets. These assets may be an operational unit, sales groups, or a separate tangible asset. Assets held-for-sale are expected to be sold within twelve months of the date of the balance sheet. The completion of the sales process may surpass one year due to various events or circumstances. In the event this delay occurs due to events and circumstances not controllable by the company and there is not enough evidence to prove that the company is still planning to sell the asset (or the sellout of a group of assets), the extension of the period needed to complete the sellout does not prevent the asset from being classified as a held-for sale asset.

Discontinued operations may refer to operational units that have been sold out or are being held-for-sale. Discontinued operations fall under one of the following:

- (a) refers to the operations or significant line of business of a certain geographical region, or
- (b) is part of a plan to sellout the operations or significant line of business of a certain geographical region, or (c) the acquisition of a subsidiary with the intention to resell.

Fixed assets held-for-sale are valued at the lesser of book value or fair value. If fair value is below the book value, the impairment is recorded in the consolidated income statement for the period in which it occurs. In the current period the group did not have any fixed asset held for sale or any discontinued operations.

Asset Impairment

In the event of situations or incident occurring in which it is impossible to recover the book value for assets that are subject to amortization and depreciation and impairment test is applied. If the book value exceeds the recoverable amount of the asset it is recorded as impairment. The recoverable amount is the highest of either the fair valued obtained after deducting the sales costs or the value in use. In order for impairment to be assessed assets are grouped in the lowest level (cash generating units) where separately definable cash flows are. Non-financial assets for which impairment provisions have been reserved are reviewed at each reporting date for the possible cancellation of impairment.

Taxation and Deferred Taxes

The Group's tax income and expenses is the sum of its current tax and deferred tax income and expenses. Current year tax liability is calculated based on the taxable portion of the profit of the period. Tax provisions shown in the consolidated financial statement differ from those in the income statement because taxable profit excludes profits and losses both, taxable or deductible, and non-taxable and non-deductible in other years. The Group's current tax liability was calculated based on the tax rate that was either already legally accepted or will be accepted at the balance sheet date. Payable current taxes are netted with the tax amount paid upfront if they are made or will be made to the same tax authority. Deferred tax asset and liability is netted in the same manner.

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Deferred taxes are determined using the liability method based on the temporary differences between the recognized values and the tax values of assets and liabilities stated in the consolidated financial statement. These temporary differences are segmented separately as deductible or taxable. For all temporary differences that may constitute taxable income, a deferred tax asset should be recognized only on the condition that it is considered highly probable that there will be sufficient future taxable profit from which these expenses can be deducted and that the process will not be part of a business combination or that the liability did not arise from initial recognition. All taxable temporary differences are recognized as a deferred tax liability. However, temporary differences that arose from the initial recognition of goodwill, during the initial recognition of an asset or liability or from non-business combination transactions, may not be recognized as a deferred tax liability.

A deferred tax asset should be recognized for an unused tax loss carry-forward item or an unused tax credit only on the condition that it is considered probable that there will be sufficient future taxable profit against which the loss or credit carry-forward items can be utilized. According to the tax laws, tax schedules currently in effect or substantively in effect as of the date of the balance sheet are used when calculating deferred tax. When calculating deferred tax liability for all taxable temporary differences, the deferred tax assets consisting of deductible temporary differences are calculated on the condition that the enterprise will generate taxable profit in the future and that it is virtually certain these differences will be utilized. (Note 36)

Deferred tax assets and deferred tax liabilities are deducted from each other so long as they are subject to the tax laws of the same country, and no legal rights exist regarding the deduction of current tax assets from current tax liabilities.

For income generated from the sale of real estate, affiliated shares, founding shares, utilization shares and preemption rights carried in the Company's assets for a minimum of two full years, 75 percent of the income is exempt from corporate taxation. To use this exemption, this income must be kept in a reserve account, with no withdrawals for five years and with no cost of sales collected within two calendar years after the year of sale. The differences associated with these assets because of this have been taken into account with 25% temporary difference.

Goodwill

The acquisition method (or purchase method) is used for all mergers. These are the steps in applying the acquisition method:

- a) Identification of the buyer;
- b) Determination of the acquisition cost; and
- c) Distribution of the merger costs incurred on the date of the merger to acquired assets, assumed liabilities, and contingent liabilities.

Goodwill is the measured difference between the acquisition cost of acquired assets or business and the fair value of net assets of the business as of the date of acquisition. If the acquisition cost exceeds the fair value of the acquired net assets, then the difference is recognized as goodwill on the balance sheet. If the fair value of the acquired net assets exceeds the acquisition cost, then the difference is recognized as a merger profit (negative goodwill) on the income statement.

According to IFRS 3 "Business Combinations", when the recoverable value of the goodwill is less than its recognized value and there exist elements that could constitute an impairment of the asset, an impairment provision is established for the goodwill. Among the items that constitute an impairment of the asset are significant changes in the activities of the acquired business; significant differences between the actual results and the forward estimates made on the acquisition date; malfunction of the product, service, or technology of the acquired business; and other issues indicating non-recoverability of the recognized value of the asset.

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Leases

Finance Leases:

Finance leases that substantially transfer the entire risks and rewards incident to the asset leased to the Company and the Group companies are measured at the lesser of the fair value and the present value of the lease payments for the leased asset at the beginning of the lease. The finance lease payments are allocated as principal and finance expenses so as to produce a fixed periodic rate of interest on the remaining balance of the payables for each period over the term of the lease. The finance expenses are recognized in the income statement on a straight-line basis. The capitalized leased assets are subject to amortization over the estimated useful life of the asset.

Fair value used in finance leases are the purchase price used in the acquisition of the asset and agreed between the parties. Minimum rent payments include capital and total liabilities like interest and taxes. Because the current value of these is less than the purchase price (capital), they are recognized at purchase price.

Operating Leases:

All leases where the lessor retains all the risks and rewards of the leased assets are considered operating leases. The operating lease payments are recognized as straight-line expenses in the income statement throughout the term of the lease.

Provisions for Employee Benefits

Severance indemnities are the documented sums of all potential estimated liabilities arising from the retirements or complete severances of employees who no longer have ties to the Company, in line with the Turkish Commercial Code, after at least 12 months of service, the military draft, or death in the foreseeable future, as of the date of the balance sheet. In order for severance obligations to be reduced the actuarial appraisal method was used. Actuarial assumptions were made in order to achieve this. The most important of these is the discount rate used in the discounting process.

The rate used to discount post-employment benefit liabilities (severance indemnity provisions) should be determined by a reference to market yields of high quality corporate bonds on the date of the balance sheet. Due to the lack of a deep market for such bonds, a real interest rate has been applied by a reference to market yields (compound interest rates) of government bonds (on the balance sheet date). In other words, the net interest rate based on inflation (net real interest rate) is used. (Note 22).

In this context, the Group accrued severance provisions in the financial statements attached based on the actuarial calculations made in accordance with IAS 19 "Employee Benefits" for the potential future liabilities that arise in the event all financial institutions employees subject to the labor act are retired or terminated after one year of employment, or called upon for military service or deceased.

Provisions, Contingent Assets and Liabilities

Provisions are recognized provided that a present obligation has arisen as a result of a past event, that the probability exists of disposing any resources of economic benefit to the enterprise through the liabilities, and that the amount can be estimated accurately. If some or all of the expenditures required in settling a provision are expected to be reimbursed by another party, the reimbursement should be recognized in the financial statement. However, it must be virtually certain that reimbursement will be received if the enterprise settles the obligation.

One of three methods is used in allocating provisions. The first of these methods is applied where the effect of the time value of money is material. The provisions are recognized at discounted values of expected future expenses on the date of the balance sheet when the effect of the time value of money becomes material. When the discounted value is used, the increases in provisions due to time will be recognized as interest expenses. In the provisions where the effect of money is material, the discount is applied using the risk-free discount rate based on government bonds that have the same maturity as the expected cash flow, assuming there are no risks and uncertainties in determining the expected cash flow.

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The second method is the expected value method. This method is used for provisions for large populations or events; the liability is estimated taking into account all probable outcomes. The third method is the recognition of provisions in the financial statements by measuring one-off events or liabilities at the most likely amount. Assets and liabilities that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise are excluded from the financial statements and are classified as contingent assets and liabilities and explained in the footnotes. (NOTE21).

Warranty Provisions

Warranty provisions are the recognized expenses of repair and maintenance performed for goods manufactured and sold by the enterprises, the cost of labor performed, the parts used at the technical service centers free of charge as part of the warranty, the cost of initial maintenance assumed by the enterprises, and the results of estimates calculated from previous data for probable levels of return and repair in subsequent years for goods whose revenues are recorded as income for the current year. (NOTE21).

Revenue

Revenue is recognized when the flow of economic benefits to the entity is probable and when the amount of revenue can be measured accurately. Revenue is an amount recognized as net; in other words, from which rebates, value added tax, and sales tax have been subtracted. In order for revenue to be generated, the following criteria must be realized.

Sale of Goods:

Revenue arising from the transfer of risks and rewards of goods sold to the buyer and where the amount of revenue can be measured reliably is considered generated revenue. Net sales consist of the transaction value billed after rebates and commissions have been deducted.

Sale of Services:

Revenue arising from the sale of services is recognized when it reaches a stage of completion that can be measured reliably. If the revenue generated from the agreement cannot be measured reliably, the revenue is recognized only to the extent of the expenses recognized as recoverable.

Interest:

Revenue is recognized on an accrual basis when collections are not doubtful.

Dividend:

Revenue is recognized when the shareholders' right to receive payment is established.

Revenue is measured at the fair value of the consideration receivable. When transactions are deferred, the difference between the nominal value and the fair value (discounted value) of the transaction value is recognized as interest revenue according to the standards of IAS 39 "Financial Instruments: Recognition and Measurement". When the outcome of a sale of service cannot be measured reliably, the transaction revenue is recognized with reference to the stage of completion of the transaction on the date of the balance sheet.

The stage of completion of a sale of service can be measured using various methods. Depending on the nature of the transaction, the method that provides a reliable measurement is used. Depending on the nature of the transaction, these are the methods:

- Audits of the completed transactions;
- Rate of services completed until the balance sheet date to the total considered services; and
- Rate of cost to date to the total expected cost of the transaction.

Non-accrual Financial Income/Expenses

Non-accrual financial income/expenses represent the financial income and expenses recognized in forward sales and purchases. These income and expenses are calculated using the effective interest method throughout the period of the credit sales and purchases and are shown under the financial income/expenses account.

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Borrowing Costs

Borrowing costs are recognized as expenses in the consolidated financial statement, irrespective of the nature of the borrowing, during the period in which they are incurred and after the cost of the transaction has been deducted. In the subsequent periods, it is recognized at the discounted value in the consolidated financial statement, and the difference between the cash inflow and the repayment value is expensed in the income statement throughout the borrowing term. However, borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset should be capitalized as part of the cost of that asset. Capitalization should commence when expenditures and borrowing costs are incurred and while activities necessary to prepare the asset for its intended use or sale are in progress.

Earnings per Share

Earnings per share are calculated by dividing the profit or loss attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. The weighted average number of ordinary shares outstanding during the period is calculated with respect to undiluted earnings per share.

Financial Instruments

Recognition and De-recognition of Financial Instruments:

An entity must recognize financial assets or financial liabilities in the balance sheet only when the entity becomes a party to the contractual provisions of the financial instrument. The entity must de-recognize a financial asset or part of a financial liability when the entity does not control the asset. All financial liability should be removed from the balance sheet only when the obligation specified in the contract is discharged, cancelled, or expired.

Fair value of financial instruments:

Fair value is the amount at which an asset may be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction, and if this exists, the fair value is best determined by quoted market prices. The fair values of financial instruments are determined by the enterprise, using active market inputs and an acceptable valuation technique. However, discretion is used in the interpretation of market inputs for estimating fair value. Hence, the estimates presented here may not indicate the value the entity may obtain from a current transaction in a market.

Financial Assets

Financial assets other than financial assets for which the fair value difference is reflected on profit or loss and which are entered on record in accordance with their fair value, are entered into records after the costs which are directly associated with its acquisition at fair value are deducted. Investments are entered on record and removed from records on the date of the commercial transaction, which is bound by a contract with conditions for delivery on a certain date determined by the market relevant to the investment instruments. Other Financial Assets are classified as "financial assets reflected on fair value difference profit and loss", "investments held to maturity", "financial assets available for sale" and "loans and receivables". The classification is made according to the quality and purpose of the financial asset and is determined and initial recognition.

Effective Interest Method

The effective interest method is the method that calculates amortized costs of a financial asset and distributes the interest income or expense over the relevant period. The effective interest rate is the rate that precisely discounts estimated future cash payments or receipts for the expected life, or a shorter period if applicable, of the financial instrument to the net carrying amount of the financial asset or liability. The incomes related to financial assets, which are classified as financial instruments to be held until maturity and available for sale are calculated according to the effective interest method.

Available-for-sale financial assets

Some stock certificates and associated securities that are held available to sell by companies are classified as Financial Assets and these type of assets are valued with their fair value. Financial Instruments based on equity which do not have a price registered in an active market and their fair value cannot be reliably measured are shown with their value after their depreciation accumulated from cost value is deducted.

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The profits and losses that originate from changes in fair value other than depreciation expenses, interest rate calculated according to effective interest management and profits losses generated by assets of foreign currency that are valued by exchange rates; are directly recognized in the revaluation fund with the Equity Capital. If the investment is disposed of or encounters a permanent depreciation it is included in the period income accounts of total profits or losses that are recognized in the previously revaluated investments fund. The dividends that are associated with equity instruments held available for sale are recognized in the other comprehensive income table when the company earns the right to the relevant payments.

Receivables

Other receivables are recognized with their fair value on the initial record entry date. In the reporting periods after the initial recording the effective interest method is used to show them based on discounted cost.

Financial Assets Impairment

The financial assets other than those, which are reflected in fair value profits or losses, are subjected to assessment on each financial statement date to check whether or not there is any indication that the asset or group of assets has been impaired. If after the financial asset has been initially recognized one or more incidents occur and as a result of the predicted adverse effect on cash flow of the financial asset or asset groups which can be reliably predicted there is an objective indication that the relevant financial asset is impaired an impairment loss is generated. The impairment amount for receivables is the difference between the value today, which is calculated by discounting the expected cash flows based on the effective interest rate of the financial asset and the book value. In all financial assets, other than those for which the book value is decreased by means of using a reserve account, the impairment is directly deducted from the recorded value of the relevant asset. In the event that commercial receivables are not collected this amount will be deleted by means of deduction from the reserve account. The changes in the reserve accounts are recognized in the other comprehensive income table.

If impairment losses, other than those occurring in equity instruments held available for sale, decrease in later periods and the decrease can be associated with an event that has occurred after the impairment loss was recognized, the previously recognized impairment loss is cancelled in the profit/loss not to exceed the amortized cost amount that it would have reached if the investment impairment had never been recognized on the date that the impairment is to be cancelled. An increase that occurs in equity instruments after impairment is recognized directly in the other comprehensive income table.

It is accepted that the fair value of foreign currency balances that are converted by the rate at the end of the period are close to their recorded values. Due to the fair value of financial assets shown with their costs including Cashier, Bank and Bank accounts, being short term and their receivables losses being negligible it is accepted that they are close to their recorded value.

The exchange rate difference incomes/expenses that are generated by the valuation of foreign currency balances in cashiers and bank accounts are reported in the financial income/expense account. Term deposit (blocked and not blocked) amounts are valued according to the effective interest method.

The fair value of securities investments have been predicted based on their market prices on the statement date. Commercial receivables are valued according to the effective interest method.

Financial Liabilities

The Group's Financial Liabilities and equity instruments are classified according to contractual regulations and the principle of defining an instrument based on a financial liability and equity. The contract which represents the rights of the Group on the assets which are left after all debts have been deducted is an equity based financial instrument. The accounting policies applied for certain financial liabilities and financial instruments based on equity are provided below. Financial Liabilities are classified either as financial liabilities for which the fair value difference is reflected on profit or loss or as other financial liabilities

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Other Financial Liabilities are recognized with their fair value cleared of transaction costs in the beginning. In later periods other financial liabilities are recognized based on the amortized cost amount using the interest expense calculated by the effective interest rate. The effective interest method is a method in which the amortized costs of financial liabilities are calculated and the related interest income is distributed in the associated period. The effective interest rate is the rate that exactly reduces the financial instruments' estimated cash payments and collections in the future (through the expected life or for a shorter period of time if applicable) to the net current value of the associated financial liability.

Short and long term Bank Loans have been shown with their amortized cost values. Long terms loans in foreign currency are converted based on the period end exchange rate and therefore their fair value is close to their recorded value

Commercial debts have been shown with their amortized cost values. In accordance with IAS 1 since commercial debts are a part of the operation capital used within the normal activity period of the company are classified as short term, even if they are to be paid over a period that is longer

If the Group decides or chooses to refinance or reverse its financial debt within at least twelve months after the reporting period, this debt is classified as long term even if it will be paid in a relatively short time. However if the refinancing or reversing is not the choice of the company (for example if there is a refinancing contract) the possibility to refinance is not taken into account and the debt is classified as short term.

Commercial and financial debts are valued according to the effective interest method.

Impairment of Financial Instruments

At the end of each reporting period, financial asset and financial liability groups, measured by amortized costs, are assessed for having equitable indications on value impairment. In the event of the presence of such an indication, the loss from impairment is calculated. It may not be possible to identify a single stand-alone event that caused the value impairments; sometimes more than one reason may be behind it. (NOTE 39-E).

Derivative Financial Instruments and Financial Risk Hedging Accounting

When Derivative Financial Instruments are first entered on record their acquisition cost is used and these instruments are valued at a reasonable value in the periods after they have been recorded. The method for calculating the profit or loss that is generated as a result of the transaction is dependent on the properties of the transaction which is being hedged. The reasonable value changes of Derivative Financial Instruments, which are considered cash flow hedging and an effective form of hedging, are shown as financial risk hedging funds under Equity Capital. If the commitment or probable future transaction becomes an asset or liability the profit or shares that are observed in connection with these transactions among the equity items are taken from these items and included in the acquisition cost or book value of the asset or liability in question. If the profit or share that has been included in the acquisition cost or book value of the instrument being hedged impacts net profit/loss it is reflected in the other comprehensive income table. Financial risk hedging accounting is stopped when the period of use for the financial risk hedging instrument is expired, it is sold or used or becomes unable to sustain the conditions that are necessary for financial risk hedging accounting. The cumulative profit or risk that is generated from the financial risk hedging instrument that was entered into equity on the relevant date will continue to be included in equity until the date on which transaction on the profit or share is expected to take place. If the transaction which is protected from financial risk does not take place the cumulative net profit and loss in equity is recorded in the period profit/loss. The Group has had no derivative instrument transaction in the period.

Financial Risk Management

Collection Risk

The Group's collection risk is generally due to trade receivables. Trade receivables are evaluated by the enterprise's administration based on previous experiences and market conditions, and an acceptable amount of doubtful receivable provision is allocated. Provisions have been allocated for doubtful receivables incurred until the report date. (Note 39).

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Currency Risk

Currency risk arises from changes in the foreign exchange rates of a financial instrument. The balance of the foreign currency transactions from operating, investment, and finance activities of the Group as of the report date is given in Note 39. A foreign currency risk arises when exchange rates increase where the Turkish lira depreciates against foreign currencies. (Note 39).

Liquidity Risk

Liquidity risk is the risk of an enterprise facing difficulty in finding funds to fulfill financial instrument commitments. The Group manages its liquidity risk by balancing the distribution of the maturity of its assets and liabilities (Note 39).

The Effect of Foreign Currency Changes

The Group's monetary unit is expressed in Turkish Lira ("TL"). The Group takes the relevant exchange rate on the date of transaction when initially recording transactions that are done in Foreign Currency (monetary units outside of the functional monetary unit used by the company). The monetary assets and liabilities that are in Foreign Currency are utilized with the exchange rate that is valid on the financial statement date and any exchange rate difference expenses or incomes are reflected on the other comprehensive income table. All monetary assets and liabilities have been converted with the exchange rate at the end of the period and their exchange rate differences have been reflected in the other comprehensive income table. Non-monetary items that are in Foreign Currency and measured with a financial value are converted with the exchange rate on the first transaction date into the functional monetary unit. Non-monetary items that are in Foreign Currency and measured with fair value are converted with the exchange rate on the date that the fair value was first determined into the functional monetary unit.

Events After the Reporting Period

Events after the annual reporting period refers to events, either favorable or unfavorable, that occur between the end of the annual reporting period and the date that the financial statements are authorized for issue. According to the standards of IAS 10 "Events after the Reporting Period" the entity must adjust its financial statements to reflect the new events if an event after the annual reporting period provides further evidence of conditions that existed at the end of the annual reporting period or if an event arises after the annual reporting period that requires adjusting the financial statements. If these events do not require adjusting the financial statements, the entity must explain these events in the footnotes to its financial statement. (Note41).

Government Incentives and Aid

Government incentives are entered on record according to their fair value when sufficient confidence is present that the incentive will be received and the Group has fulfilled the necessary conditions. Government incentives and aid are recognized consistently throughout the period in which the costs they match are recognized.

Cash Flow Table

Cash includes currency and demand deposits for the purposes of cash flow statements. With high liquidity and negligible valuation differences, cash equivalents are investments that are easily convertible into cash in the short term. Not used for any other investment purposes, cash equivalents are assets held to meet short-term liabilities. Any asset qualifying as a cash equivalent must be convertible into cash with certain identifiable value, and the difference risk of this value should not exceed negligible amount. Based on this definition, investments with three months or less maturity are considered as cash equivalents. Investments in securities that represent equity are not considered as cash equivalents unless they have intrinsic cash equivalent properties (e.g., preferred stocks with fixed redemption dates).

The Company draws up the cash flow statements reported to readers, the changes in net assets, the competency to manage the financial structure, and the amounts and timing of cash flow under varying business conditions.

In the Company's cash flow statement, the cash flow for the annual period is reported according to classifications based on operations, investments and financing activities. The cash flow from operational activities is generated from operational areas where the Company operates. Investment activities of cash flow show the flow of cash used and sourced through the investment activities of the company. Cash flow from financial activities show the actives the Company has used in financial activities and the repayment of these actives.

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Segment Reports

A segment represents the unit where a company executes the following:

- Conducts operational activities to generate sales revenues and make payments (including revenues and expenses related to transactions carried out with other parts of the company);
- Regularly reviews the operating results to determine which sources to allocate to the unit and to assess the unit's performance through management channels authorized to make decisions on operations; and
- Maintains a separate set of related financial reports.

Segments to be reported are determined based on activities for which the revenue and expenses can be identified separately and for each company within the scope of the Group's consolidation as subsidiary, associate, and joint venture. Because each of the companies within the scope of the consolidation have activities that can be segmented, the reporting has been done with the consideration of this criteria in Note 5. The goods and services bought and sold between these companies are generally done up to market value.

E. Important Accounting Evaluations, Estimations and Assumptions and Sources of Uncertainty

The preparation of the consolidated financial statements entails estimations and assumptions made that could affect the total reported assets and liabilities and the explanations of contingent assets and liabilities and revenues and expenses during the annual reporting period. Any assessment, estimation and assumption employed in accounting is constantly reviewed and assessed in light of past experiences, additional factors, current circumstances and reasonable expectations about future developments. Actual results may deviate from assumptions, even though the estimations and assumptions reflect the best judgment of management of current events and transactions.

Significant estimations and assumptions used by the Group when preparing the consolidated financial statements are explained in these notes:

Note 2/D	Fair value determination
Note 36/B	Deferred taxes assets and liabilities
Note 21	Lawsuit and warranty provisions
Note 22	Termination Benefit Provisions
Note 2/D	Tangible and intangible fixed assets useful life and impairment provisions
Note 7 and 39/E	Financial investments impairment provisions
Note 10 and 39/E	Trade receivables impairment provisions
Note 13	Stock value impairment provisions

Sources of uncertainty as of the annual report date related to calculations and assumptions pertaining to the subsequent period and posing a risk that could cause significant adjustments to the assets and liabilities of the subsequent annual reporting period are explained below:

- As per the accounting policies determined, the Group subjects the values of the goodwill to impairment tests annually and in events where conditions indicate a potential impairment. The values of the goodwill have been compared to their recoverable values and have been subjected to value impairment test. Recoverable values are determined based on the usage values (NOTE19).
- Deferred taxes are recognized when it is determined that taxable income could be generated in the years ahead. When taxable income is anticipated in the future, then the deferred tax is calculated on the carried forward but unused losses as well as on any deductible temporary differences (NOTE36). The Group reviewed its deferred taxes carried on the books as of December 31, 2013.
- Management used certain assumptions and estimations when determining useful life, calculating doubtful receivables provisions (Note 10 and 39, lawsuit provisions (Note 21) and severance provisions (Note 22).

NOTE3 - Mergers

Current Period: None.

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Previous Period:

Pursuant to Turkish Commercial Code No. 6762 Article 451 and Corporate Tax Law No. 5520 Articles 19 and 20, Mir İç ve Dış Tic. Maden San. Ltd. Şti., one of the group companies, was completely merged to İhlas Kimya Ltd. Şti. through transfer of all of its assets and liabilities in the current period by the resolution of the Shareholder's Assembly dated May 21, 2012. Following the merger, İhlas Kimya Ltd. Şti. has changed its title to Mir Maden İşletmeciliği Enerji ve Kimya San. Tic. Ltd. Şti. Since this merger was not an acquisition, no goodwill was created. Furthermore, the fair value of assets and liabilities identifiable from the merger are listed below

Cash and Cash Equivalents	52.181
Other Current Assets	117.958
Tangible fixed assets	13.237
Intangible fixed assets	2
Trade Payables (short term)	(1.743.589)
Payables to related parties (short term)	(1.175.416)
Other Payables	(24.874)
Other Short and Long Term Liabilities	(234.247)
Fair value of assets and liabilities resulting from merger, net	(2.994.748)

NOTE 4 – Shares in Other Operations

None (Previous Period: None).

Not 5 – Segment Reports

January 1 – December 31, 2013 period;

January 1 – December 31, 2013 period;	Home Appliance	Mining and Energy	Group Total
Sales Income	107.299.753	797.492	108.097.245
Cost of Sales (-)	(89.328.267)	(840.369)	(90.168.636)
Gross Profit / Loss	17.971.486	(42.877)	17.928.609
Operating Expenses (-)	(11.617.004)	(3.161.366)	(14.778.370)
Other Operating Income	7.075.347	2.082.256	9.157.603
Other Operating Costs (-)	(11.374.807)	(113.551)	(11.488.358)
Operation Profit/(Loss)	2.055.022	(1.235.538)	819.484
Income / (Expenses) from Investment Activities (net)	(19.762.133)	1.506.830	(18.255.303)
Operation Profit / (Loss) Before Financing	(17.707.111)	271.292	(17.435.819)
Financing Income / (Expense) (net)	(11.503.252)	1.487	(11.501.765)
Continuing Operations pre-tax Profit (Loss)	(29.210.363)	272.779	(28.937.584)
Total Assets	218.476.524	48.795.425	267.271.949
Total Liabilities	78.513.449	2.323.213	80.836.662

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January 1 – December 31, 2012 period;	Home Appliance	Mining and Energy	Group Total
Revenue	100.789.333	751.027	101.540.360
Cost of Sales (-)	(88.665.299)	(1.577.257)	(90.242.556)
Gross Profit / Loss	12.124.034	(826.230)	11.297.804
Operating Expenses (-)	(9.409.492)	(3.473.846)	(12.883.338)
Other Operating Income	14.101.408	1.325.181	15.426.661
Other Operating Costs (-)	(10.283.387)	(1.655.457)	(11.938.844)
Operational Profit/(Loss)	6.532.635	(4.630.352)	1.902.283
Income / (Expense) from Investment Activities (net)	32.085.933	(2.001.159)	30.084.774
Operational Profit / (Loss) Before Financing Cost	38.618.568	(6.631.511)	31.987.057
Financing Income / (Expense) (net)	(8.254.804)	121.814	(8.132.990)
Continuing Operations Pre-tax Profit (Loss)	30.363.764	(6.509.697)	23.854.067
Total Assets	250.253.882	53.968.816	304.222.698
Total Liabilities	79.494.194	6.601.805	86.095.999

NOTE 6 - Cash and Cash Equivalents

	31.12.2013	31.12.2012
Cash	169.529	188.842
Banks	521.155	840.542
Demand Deposits	521.155	268.317
Term Deposits (TL)	-	572.225
- Liquid funds	-	572.225
Other cash equivalents	3.867	3.998
Checks maturing on the report date	-	500.000
Total	694.551	1.533.382

NOTE 7 - Financial Investments

	31.12.2013	31.12.2012
Financial assets whose fair value differences are reflected on profit/(loss)	762.777	87.258.985
Stocks	950.000	71.135.037
Provisioned for stock value appreciation (+) /impairment(-)	(290.000)	16.123.948
Blocked accounts with term longer than 3 months	102.777	-
Short term Stocks Financial Investments	762.777	87.258.985

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Long Term Financial Investments

Ready-to-sell Financial Assets	Share (%)	31.12.2013	Share (%)	31.12.2012
A-Unconsolidated Affiliated Partnerships				
İhlas Mining ^(a)	% 57,44	328.185	%56,02	328.185
Provisions for İhlas Mining impairment (-)		(144.576)		(144.576)
B- Affiliated Securities				
İhlas Gazetecilik A.Ş. ^(b)	% 1,03	1.315.923	%1.03	1.315.923
Provisions for İhlas Gazetecilik appreciation /impairment		(684.772)		(28.869)
TOTAL		814.760		1.470.663

Based on their financial position as of December 31, 2013, and December 31, 2012, and operations ending on the same dates, subsidiaries which are not materially significant on a single or consolidated basis in the total consolidated financial statements are excluded from the consolidation. These subsidiaries are classified as "Assets-For-Sale Financial Assets" in the consolidated financial statements.

^(a) İhlas Mining, a company founded in Ghana on July 11, 2008, with a total capital share of \$300,000 and 90 percent owned by the Company's subsidiary, İhlas Madencilik A.Ş., is excluded from the consolidation since its financial statements as of December 31, 2011, are not materially significant in the consolidated financial statements, and its operations do not generate significant cash flow.

The Company has no obligation towards this subsidiary except for the initial capital infusion. Since the company's financial tables were not ready as of the reporting date they have not been presented.

^(b) It has been valued based on market value, and impairments have been associated with other activity costs. İhlas Gazetecilik A.Ş. shares are traded on the Istanbul Stock Exchange and its financial statements and reports are published on the Public Disclosure Platform quarterly.

NOTE 8 - Short term Liabilities

	31.12.2013	31.12.2012
Loans from Intermediary Companies	30.636.578	35.667.706
Revolving Loans	3.256.444	3.674.553
Installment Loans	4.799.656	-
Total Financial Liabilities	38.692.678	39.342.259

There is no term for the loans used from intermediary companies and the interest rate as of 31.12.2013 is 15,25-18%.

The terms and interest rates of rotating loans are as follows:

	Currency	Applied Interest Rate (%)	Term	31.12.2013 TL Amount
Revolving Loans	TL	10-20	Up to 3 months	2.406.444
		14,25	3-12 months	850.000
				3.256.444

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31.12.2012				
	Currency	Applied Interest Rate (%)	Term	TL Amount
Revolving Loans	TL	14-18	Up to 3 months	547.658
		14-18	3-12 months	3.126.895
				3.674.553

The terms and interest rates of Installment Loans of 31.12.2013 are as follows (previous period: none):

31.12.2013				
	Currency	Applied Interest Rate (%)	Term	TL Amount
Installment Loans	TL	10,92 – 18,90	Up to 3 months	3.127.778
		10,68 – 18,90	3-12 months	1.671.878
				4.799.656

NOTE 9 - Other Financial Liabilities

31.12.2013: None (31.12.2012: None).

NOTE 10 – Trade Receivables and Payables

	31.12.2013	31.12.2012
Trade Receivables from Related Parties (*)	14.581.919	14.068.641
- Gross trade receivables	16.292.110	15.147.842
- Trade receivables discount(-)	(1.667.385)	(1.077.824)
- Provisions for doubtful trade receivables (-)	(42.806)	(1.377)
Trade Receivables from Non-Related Parties	76.006.282	49.675.810
- Customers	6.783.744	5.880.715
- Post Dated Checks and Promissory Notes	77.876.907	50.676.053
- Trade receivables discount(-)	(3.371.238)	(1.829.118)
- Provisions for doubtful trade receivables (-)	(5.283.131)	(5.051.840)
Short term trade receivables	90.588.201	63.744.451

(*) Detail provided in NOTE 38

The Group has reclassified some related party balances that were mistakenly presented under trade receivables in the previous period, in the annexed previous period consolidated financial statement under related party trade receivables. The maturation analysis and reserved provisions concerning items for which impairment provision is not reserved although matured and items that are matured and for which impairment provision is reserved are explained in detail in Note 39-E.

The (net) maturity analysis for trade receivables that have not matured as of 31.12.2013 and 31.12.2012 is presented in NOTE 39-E.

The movements table for doubtful trade receivable provisions is provided below:

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	31.12.2013	31.12.2012
Balance as of January 1	(5.053.217)	(3.254.340)
Current Period Provision Amount (NOTE 30)	(313.368)	(241.779)
Provisions no longer required (NOTE 31)	40.648	-
Provisions derived from mergers	-	(1.557.098)
As of end of period	(5.325.937)	(5.053.217)

	31.12.2013	31.12.2012
Trade Payables to Related Parties (*)	388.706	701.584
- Gross trade payables	406.979	713.308
- Trade payable rediscount (-)	(18.273)	(11.724)
Trade Payables to Unrelated Parties	30.727.575	33.411.919
- Sellers	6.364.653	10.292.386
- Post Dated Checks and Promissory Notes	24.402.039	23.158.283
- Trade payable rediscount (-)	(39.117)	(38.732)
Short term trade payables	31.116.281	34.113.503

(*) Details provided in NOTE 38

The Group has reclassified some related party balances that were mistakenly presented under trade payables in the previous period, in the annexed previous period consolidated financial statement under related party trade payables.

NOTE 11 - Other Receivables and Payables

	31.12.2013	31.12.2012
Short term Other Receivables	21.278.805	12.343.662
Other Receivables from Related Parties (*)	19.679.142	12.094.803
- Gross other receivables	20.709.482	13.409.635
- Other Receivables rediscount(-)	(1.030.340)	(1.314.832)
Other Receivables from Non- Related Parties	1.599.663	248.859
- Receivables from Tax Office	1.433.808	64.224
- Issued Deposits and Assurances	109.205	184.635
- Other Doubtful Receivables	314.002	257.352
- Provisions for Other Doubtful Receivables	(257.352)	(257.352)
Long term other receivables	245.031	245.031
Issued Deposits and Assurances	245.031	245.031
Short term Other Payables	-	12.400
Other Payables (NOTE 38)	-	12.400

(*) There are receivables left from property and stock sales explained in NOTE 38

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NOTE 12 - Receivables and Payables from Finance Sector Activities

31.12.2013: None (31.12.2012: None)

NOTE 13 - Inventories

	31.12.2013	31.12.2012
Raw Materials and Supplies	39.579.322	27.697.849
Work in Progress	598.239	978.186
Finished Goods	1.424.389	1.235.565
Commodities	1.313.822	1.338.136
Other Inventories (Goods in Transit) ^(a)	11.931.946	8.295.373
Inventory Impairment Provision(-)	(3.274.538)	(3.152.690)
Total	51.573.180	36.392.419

(*) Goods in transit comprise goods invoiced by foreign suppliers and delivered to customs currently awaiting clearance by the Company as of the reporting date.

Changes in impairment provisions in the current reporting period are shown in the table below:

	31.12.2013	31.12.2012
Balance as of period beginning	(3.152.690)	(2.254.679)
Impairment provision (-) / provision no longer required (NOTE 28)	(121.848)	(200.902)
Provisions from mergers	-	(697.109)
Period end balance	(3.274.538)	(3.152.690)

Since the Inventories are not in the scope of the standard defined in IAS 23 "Borrowing Costs" standard the financing costs related to inventories are associated with the income table and are not capitalized. There is no inventory shown as assurance for the Group's liabilities (Previous period: None).

NOTE 14 - Live Assets

31.12.2013: None (31.12.2012: None).

NOTE 15 - Derivative Instruments

31.12.2013: None (31.12.2012: None).

NOTE 16 - Investments Appraised using the Equity Method of Accounting

31.12.2013: None (31.12.2012: None).

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NOTE 17 - Investment Properties

January 01 – December 31, 2013

January 01 – December 31, 2013	01.01.2013	Inflows	Outflows	Increase in Value	Transfers (*)	31.12.2013
Investment Properties						
Land	16.835.531	26.101	(7.685.605)	8.073.341	4.933.380	22.182.748
Buildings	20.524.210	950.000	(1.479.730)	137.413	(5.994.154)	14.137.739
Total	37.359.741	976.101	(9.165.335)	8.210.754	(1.060.774)	36.320.487

(*) In the current period the Group has transferred a 1,060,774 TL property it had started using itself to the Tangible fixed assets account. Also transfers have been made between the land and building shares in the current period based on current appraisal reports.

January 01 – December 31, 2012	01.01.2012	Inflows	Outflows	Impairment Provision	Mergers	31.12.2012
Investment Properties						
Land	21.459.728	13.400	(4.650.000)	-	12.403	16.835.531
Buildings	37.649.055	-	(16.318.229)	(806.616)	-	20.524.210
Total	59.108.783	13.400	(20.968.229)	(806.616)	12.403	37.359.741

The Group had appraisals done by experts on property, land and buildings being held for rent income in the current period and the appreciated values have been calculated according to the appraisal reports (fair value appraisal method).

The fair value of investment properties have been determined by an independent and expert company (appraiser). The information concerning the appraisal is as follows

Properties	Current Appraisal Values	Values as of 31.12.2012	Generated Value Increases	Appraisal Dates	Appraisal Methods
No. 14 Independent Section (*)	11.823.584	11.123.280	700.304	20.12.2013	Precedent Comparison Method
No. 154 Independent Section (*)	16.000.000	9.609.550	6.390.450	31.12.2013	Precedent Comparison Method
No. 13 Independent Section (*)	8.120.000	7.000.000	1.120.000	20.12.2013	Precedent Comparison Method
Total Value Increase(NOTE 32)			8.210.754		

(*) These are the independent sections located in the İstanbul province Bahçelievler District Yenibosna Neighborhood 24 th map section parcel 10913. The appraised value of the 14th independent section is 12,920,000 TL, 91.5% (11,823,584 TL) of it has been classified as investment property and 8.5% (1,096,416 TL) as a tangible fixed asset as it is in the use of the Group.

There is a 22,750,000USD and 10,000,000 TL mortgage against the Group's investment properties (31.12.2012: 22.750.000 USD and 10.000.000 TL). The group has no investment properties purchased through leasing or for which there is ongoing debt as of the accounting period.

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Since investment properties are not in the scope of the IAS23 "Debt Costs" standard as special assets, they are associated with Investment Properties related Financing Expenses income tables and are not capitalized.

In the current period the Group has acquired a Total of 1,359,167 TL rent income from investment properties.

NOTE 18 - Tangible fixed assets

January 01 – December 31, 2013	01.01.2013	Input	Output	Value Increase	Transfers (*)	31.12.2013
Cost						
Land	-	-	-	28.648	852.630	881.278
Above ground and underground setups	267.214	-	-	-	-	267.214
Buildings	-	-	-	6.994	208.144	215.138
Machinery, plants equipment	4.942.481	116.865	-	-	-	5.059.346
Fixtures, vehicles, tools	12.712.167	992.130	(77.512)	-	-	13.626.785
Total	17.921.862	1.108.995	(77.512)	35.642	1.060.774	20.049.761
Minus: Accumulated Amortization						
Above ground and underground set-ups	(203.806)	(30.028)	-	-	-	(233.834)
Buildings	-	(4.303)	-	-	-	(4.303)
Machinery, plants equipment	(3.514.640)	(471.644)	-	-	-	(3.986.284)
Fixtures, vehicles, tools	(9.023.798)	(1.272.416)	61.453	-	-	(10.234.761)
Total	(12.742.244)	(1.778.391)	61.453	-	-	(14.459.182)
Tangible fixed assets (net)	5.179.618			35.642	1.060.774	5.590.579

(*) The 1,060,774 TL valued property which the Groups itself began to use in the current period was transferred from investment properties to tangible fixed assets.

January 01 – December 31, 2012	01.01.2012	Input	Output	Merger	31.12.2012
Cost					
Above ground and underground set-ups	267.214	-	-	-	267.214
Machinery, plants equipment	4.662.022	280.459	-	-	4.942.481
Machinery, plants equipment	10.621.729	2.149.697	(63.434)	4.175	12.712.167
Total	15.550.965	2.430.156	(63.434)	4.175	17.921.862
Minus: Accumulated Amortization					
Above ground and underground set-ups	(168.889)	(34.917)	-	-	(203.806)
Machinery, plants equipment	(2.887.389)	(627.251)	-	-	(3.514.640)
Fixtures, vehicles, tools	(8.136.787)	(948.989)	61.983	(5)	(9.023.798)
Total	(11.193.065)	(1.611.157)	61.983	(5)	(12.742.244)
Fixtures, vehicles, tools	4.357.900				5.179.618

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Properties	Current Appraisal Values	Values as of 31.12.2012	Generated Value Increases	Appraisal Dates	Appraisal Methods
No. 14 Independent Section (*)	1.096.416	1.060.774	35.642	20.12.2013	Precedent Comparison Method
Total Value Increase (NOTE 27)			35.642		

(*)These are the independent sections located in the İstanbul province Bahçelievler District Yenibosna Neighborhood 24 the map section parcel 10913. The appraised value of the 14th independent section is 12,920,000 TL, 91.5% (11,823,584 TL) of it has been classified as investment property and 8.5% (1,096,416 TL) as a tangible fixed asset as it is in the use of the Group.

The Group has no lien, restriction or mortgage against the tangible fixed assets.

Since the Inventories are not in the scope of the standard defined in IAS 23 "Borrowing Costs" standard the financing costs related to inventories are associated with the income table and are not capitalised. The Group does not possess any tangible fixed assets that are temporarily in an inactive condition. The tangible fixed assets being used by the Group currently that are completely amortized are as follows:

	31.12.2013	31.12.2012
Above ground and underground set-ups	141.479	92.675
Machinery, plants equipment	2.795.508	2.559.258
Fixtures, vehicles, tools	7.451.721	6.886.495
Total	10.388.708	9.538.428

NOTE 19 - Intangible fixed assets

A-) Goodwill:

Movements of the goodwill between December 31 2013 and December 31, 2012 are given in the following table.

	31.12.2013	31.12.2012
January 1 Balance	37.720.505	39.923.002
Provision for devaluation in the period (NOTE 31)	(1.373.656)	(2.202.497)
December 31 Balance	36.346.849	37.720.505

The Group compared the goodwill amounts carried to the consolidated financial statements in the impairment studies with values in use of the relevant cash generating units, as of December 31, 2013 and the 1.373.656 TL (previous period: 2.202.497 TL) goodwill impairment generated in the current period was associated with other costs from main operations. The goodwill generated by the Company acquiring İhlas Madencilik A.Ş. also generated impairment and when an impairment test was done on the goodwill the following assumptions are made for the current period:

- The 15.67% (13-18% previous period) Weighted Average Capital Cost calculated with the scope of Financial Assets Pricing Model was used as usage value discount rate.

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- The projections were converged to infinity with the calculated discount rate.
- The inflation estimates for the current year and the following two years were determined according to expectations of the Central Bank of the Republic of Turkey.
- The course of the sector the company is in for which the goodwill was calculated, has been take as the basis for determining revenue in the projection period.

The aforementioned goodwill carried out in the consolidated financial statements was derived from the acquisition of the companies below:

	31.12.2013	31.12.2012
İhlas Madencilik	32.364.771	33.738.427
Mir Maden	3.982.078	3.982.078
Total Goodwill	36.346.849	37.720.505

B-) Other Intangible fixed assets:

January 01 – December 31, 2013	01.01.2013	Inputs	Outputs	31.12.2013
Cost				
Searching Costs	2.748.670	41.742	-	2.790.412
Rights	10.015.705	1.559	-	10.017.264
Other tangible fixed assets	1.511.906	189.006	-	1.700.912
Total	14.276.281	232.307	-	14.508.588
Minus: Accumulated Amortization				
Searching Costs	(1.793.756)	(18.783)	-	(1.812.539)
Rights	(5.600.237)	(1.387)	-	(5.601.624)
Other Intangible fixed assets	(1.096.113)	(127.913)	-	(1.224.026)
Total	(8.490.106)	(148.083)	-	(8.638.189)
Intangible fixed assets (net)	5.786.175			5.870.399

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January 01 – December 31, 2012	01.01.2012	Input	Transfers	Merger	31.12.2012
Cost					
Searching Costs	2.452.091	202.667	-	93.912	2.748.670
Rights	9.802.445	213.259	1	-	10.015.705
Other Intangible fixed assets	1.461.234	144.584	-	(93.912)	1.511.906
Total	13.715.770	560.510	1	-	14.276.281
Minus: Accumulated Amortization					
Searching Costs	(1.757.779)	(14.087)	-	(21.890)	(1.793.756)
Rights	(5.600.237)	-	-	-	(5.600.237)
Other Intangible fixed assets	(1.045.673)	(72.330)	-	21.890	(1.096.113)
Total	(8.403.689)	(86.417)	-	-	(8.490.106)
Intangible fixed assets (net)	5.312.081				5.786.175

The Group has no lien, restriction or mortgage against the intangible fixed assets (31.12.2012: None).

The intangible fixed assets being used by the Group currently that are completely amortized are as follows

	31.12.2013	31.12.2012
Searching Costs	1.757.779	1.757.779
Rights	3.139.170	3.139.170
Other Intangible fixed assets	986.963	897.946
Total	5.883.912	5.794.895

NOTE 20 – Government Incentives and Aid

The Group has acquired 512,139TL in R&D investment incentive from Tübitak in 2013 for its newly developed cleaning robot (previous period: 41.123 TL). These incentive amounts which reached 553,262 TL as of the end of the current period are shown in the restricted reserves set aside from profit in the equity account (NOTE 27). Also the Group has 3,038,531 TL discount it can take in corporate tax discounts (previous period: 1.878.939 TL) as R&D investment discount and this discount is written off to deferred tax (NOTE 36).

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NOTE 21 - Guarantees, mortgages and pledges given by the Group

a) Guarantees, mortgages and pledges

GMP's given by the Group (31.12.2012)	USD Balance	Euro balance	TL Balance	TOTAL (TL Currency)
A. The Total Amount of GPMs Given by the Main Partnership in Favor of Its Own Legal Entity	1.239.428	546.380	39.275.851	43.525.605
B-1. The Total Amount of GPMs Given by the Main Partnership in Favor of Subsidiary Companies Included in The Full Consolidation	-	27.200.000	-	79.872.757
B-2. The Total Amount of GPMs Given by the Subsidiary Companies Included in The Full Consolidation in Favor of Their Own Legal Entities and in Favor of Each Others	-	-	1.427.888	1.427.888
C. Total Amount of GPMs Given by the Group for Assuring the Liabilities of Other 3 rd Parties so that the Group's Ordinary Commercial Activities can be Executed	-	-	1.103.700	1.103.700
D. The Total Amount of Other GPMs Given by the Group	23.112.230	225.000	13.208.000	63.197.149
i. Total Amount of GPMs Given by the Group in fav. of the Main Partner	22.850.000	-	13.208.000	61.976.759
ii. Total Amount of GPMs Given by the Group in fav. of Other Group Companies which are not included in the Scopes of Articles B and C	262.230	225.000	-	1.220.390
iii. The Total Amount of GPMs Given by the Group in Favor of Third Parties Which are not Included in the Scope of Article C	-	-	-	-
Total	24.351.658	27.971.380	55.015.439	189.127.099
Total Equity of the Group (NOTE 27)				186.435.287
The rate of the other GPMs given by the Group against the Group's Equity Capital				% 34

GMP's given by the Group (31.12.2013)	USD Balance	Euro balance	TL Balance	TOTAL (TL Currency)
A. The Total Amount of GPMs Given by the Main Partnership in Favor of Its Own Legal Entity	4.651.126	766.008	74.187.484	84.280.003
B-1. The Total Amount of GPMs Given by the Main Partnership in Favor of Subsidiary Companies Included in The Full Consolidation	-	27.200.00	-	63.966.240
B-2. The Total Amount of GPMs Given by the Subsidiary Companies Included in The Full Consolidation in Favor of Their Own Legal Entities and in Favor of Each Others	-	-	1.329.980	1.329.980
C. Total Amount of GPMs Given by the Group for Assuring the Liabilities of Other 3 rd Parties so that the Group's Ordinary Commercial Activities can be Executed	-	-	12.664.531	12.664.531
D. The Total Amount of Other GPMs Given by the Group	23.112.230	225.000	13.303.774	55.032.768
i. Total Amount of GPMs Given by the Group in fav. of the Main Partner	22.850.000	-	13.208.000	53.940.410
ii. Total Amount of GPMs Given by the Group in fav. of Other Group Companies which are not included in the Scopes of Articles B and C	262.230	225.000	95.774	1.092.358
iii. The Total Amount of GPMs Given by the Group in Favor of Third Parties Which are not Included in the Scope of Article C	-	-	-	-
Total	27.763.356	28.191.008	101.485.769	217.273.522
Total Equity of the Group (NOTE 27)				218.126.699
The rate of the other GPMs given by the Group against the Group's Equity Capital				% 25

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The details necessary for explaining the assets, liabilities and pledges presented in the GMP table above are as follows:

- Detes Enerji, one of the Company's subsidiaries, signed a purchase and consultancy services contract for €30,200,000 on May 15, 2008, with the engineering firm Envirotherm GmbH based in Essen, Germany, for relocating (dismantling, transferring, reinstalling) and commissioning the production facilities comprising the British Gas Lurgi (BGL) gasifier and methanol units from Germany to Turkey to be used for energy production with German Lurgi patented BGL gasifiers to covert solid fuels to energy in a highly efficient and environmentally safe operation. The Company signed the contract as the guarantor. According to the provisions of this contract, the subsidiary Detes Enerji made an advanced payment of €3,000,000 to Envirotherm GmbH in 2008. The Company's guarantee amount remains 27,200,000 Euro as of the financial statement date. (31.12.2012: 27.200.000 Euro) (Classified under the GPMs Issued in Favor of the Group companies included in the full consolidation).

- Because of the loans used by the Company, the Company's nominal share of 5,485,454 TL in affiliated partnership İhlas Madencilik A.Ş. (market value: 39,275,851 TL) has been blocked. (31.12.2012: nominal 14,489,743 TL (market value: 74,187,484 TL) (Classified as GPMs issued in the parent company's own favor).

- The Company has issued a guarantee for 1,103,700 TL in the current period in favor of associate İhlas Pazarlama A.Ş. (31.12.2012: 12,664,531 TL) (Classified as GPMs issued to cover other third-party obligations for the Group to sustain its regular tradeoperations.).

b) The amount of mortgages and other commitments received for the Company's receivables is: 28,451,000 USD (This amount consists of collateral bills and checks received from branch companies and İhlas Pazarlama A.Ş., with whom it has a distributorship agreement.) (31.12.2012: 28.451.000 USD).

c) A summary of lawsuit and foreclosure litigation in favor of the Company as of December 31, 2013, are shown in the table below:

	Number of Shares	Amount
Pending litigation initiated by the Group	11	51.955
Foreclosure proceedings filed by the Group	10	410.099
Pending lawsuits against the Company (*)	26	7.103.038
Foreclosure proceedings filed against the Group	4	49.153

(*)Of the pending lawsuits against the Company, 6,821,384 Turkish lira is related to İhlas Madencilik of the Group companies Material events disclosure issued by İhlas Madencilik on February 27, 2013 reads as follows: *Previously, in our material events disclosure on April 29, 2011, we had announced that our Company would pay its debt, capital and its accessories, in the sum of 5,210,784 Turkish lira to Toroslar Elektrik Dağıtım A.Ş. in 18 installments over 36 months, within the scope of the Law No. 6111 "Restructuring of Certain Receivables and Amendment to the Law of Social Insurance and General Health Insurance and Certain Other Laws and Decree Laws". Later, with the material events disclosure we have issued on November 14, 2011, we had disclosed to the public that as a result of the examination of the systems of Toroslar Elektrik Dağıtım A.Ş., our debt was recalculated to be 4,184,267 Turkish lira. Since the day an installment plan has been applied to our debt, our Company has been paying its installments to Toroslar Elektrik Dağıtım A.Ş. regularly, in full compliance with the law. The sum of our remaining debt is 1,859,668 Turkish lira. The first upcoming payment as of today will be on February 28, 2013; and will continue to be paid in the sum of 232,459 Turkish lira on every other month. There are a total of eight installments remaining and the payments will be completed on April 30, 2014. After our disclosures summarized above, we have issued another disclosure on June 6, 2012 stating that a payment order from proceedings without judgment for 6,821,383.50 Turkish lira has been sent by the Gaziantep 12th Bailiff's Office on behalf of Gaziantep Provincial Directorate of Toroslar Edağ. It has been understood that our Company has no other debt than the one to Toroslar Edağ, which has been restructured into installments within the scope of Law No. 6111 and is being paid, as described above. Furthermore, according to the research conducted by our Company, the debt in the amount of 6,821,383.50 Turkish lira described above belongs to Tampa Tekstil A.Ş., which is an affiliation of Okan Group who is the former owner of Okan Tekstil ve Sanayi Ticaret A.Ş., which was transferred over to and merged with former İhlas Madencilik A.Ş. Moreover, Tampa Tekstil had restructured its debt in line with Law No 6111 however, because of the disruptions in the payments, the installment restructuring was abolished. All of these findings have been shared with the public in the disclosure dated June 6, 2012 and the execution for debt was stopped by contest.*

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Based on the new written notice we have received, an appeal has been filed by the Gaziantep Provincial Directorate of Toroslar Edaş through the Basic Commercial Court of Gaziantep against the contest we have described above. We would like to state that although Tampa Tekstil, who was the lessee of our Company between November 5, 2003 and March 29, 2006, wanted to sign a subscription agreement with Toroslar Edaş in 2003, Toroslar Edaş decided not to sign a subscription agreement. Later, Tampa Tekstil contested against this decision of Toroslar Edaş by applying to the administrative court and was granted a void of judgment. Thus, Tampa Tekstil was granted the right to sign a subscription agreement retrospectively tively for past periods as well. Including the time elapsed during the proceedings, Tampa Tekstil has consumed electricity throughout the period of the lease. This consumption was declared to Toroslar Edaş by Tampa Tekstil, and a court ruling was issued. Finally, as described above, Tampa Tekstil had restructured all of the debt incurred from its usage within the scope of Law No. 6111, separately from our Company's debts. Although Tampa Tekstil and Toroslar Edaş have mutually signed a protocol, it is very clear that Toroslar Edaş is unlawfully asking for the payment of this debt from our Company, whose name or signature is not on the aforementioned protocol. Our Company does not have such a debt. Since asking for the payment of another company's debt to be done by our Company is unjust and unlawful, our Company will take the necessary legal actions on time." Since it is highly likely that we will win this ongoing lawsuit, we have not set aside any provisions for it. The Company reserved total provisions of 149,427 TL (previous term 88,550 TL) for the lawsuits brought against the Company as of December 31, 2013, and did not set aside any provisions for lawsuits where the probability of winning.

Provisions:	31.12.2013	31.12.2012
Short term	62.477	-
Law Suit Provisions	62.477	-
Long Term	762.431	781.053
Guarantee Provisions	675.481	692.503
Law Suit Provisions	86.950	88.550

The movements table for guarantees and law suit provisions within the period are as follows:

Guarantee Provisions	31.12.2013	31.12.2012
Period Beginning Balance	692.503	963.314
Provisions no longer necessary (NOTE 31)	(17.022)	(270.811)
Period End Balance	675.481	692.503

Law Suit Provisions	31.12.2013	31.12.2012
Period Beginning Balance	88.550	102.270
Provisions reserved in the period (NOTE 31)	62.477	-
Provisions no longer necessary (NOTE 31)	(1.600)	(13.729)
Period End Balance	149.427	88.550

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NOTE 22 – Employee Benefits and Payables from Employees Benefits

	31.12.2013	31.12.2012
Personnel salaries, severance etc. liabilities	976.622	617.162
Social security deductions to be paid	241.769	218.092
Liabilities (Short term) in the Scope of Employee Benefits	1.218.391	835.254

	31.12.2013	31.12.2012
Long Term Liabilities		
Severance Provision	3.529.702	2.539.085
Total	3.529.702	2.539.085

According to the Labor Act, the Company is legally required to pay termination benefits to an employee who has been terminated for no particular reason, drafted into the military, retired upon reaching retirement age after 25 years of service for males and 20 years for females, or who died after a twelve-month employment period. The amount to be paid as of 31/12/2013 for each year of service is to be equivalent to one month's salary not to exceed 3.254,44 TL (31.12.2012: 3.033,98 TL).

Currently, no regulations exist for retirement commitments aside from the legal requirements specified above. No funds were allocated for such a liability since there are no requirements for allocating such funds. Termination benefit provisions were based on the estimated value of the Company's possible future liabilities arising from employee retirements as of the reporting date.

IAS 19 "Employee Benefits" requires companies to use the actuarial valuation method for determining the defined benefit plan obligations. Accordingly, actuarial assumptions and current legal obligations were used for each company to determine the total obligation. The main actuary predictions and assumptions used are as follows:

	31.12.2013	31.12.2012
Discount Rate	% 3,32	% 3,81
Non-payment rate of severance provisions (average)	% 5	% 5

	31.12.2013	31.12.2012
January 1 Balance	2.539.085	1.897.987
Payments	(862.308)	(166.295)
Provisions no longer necessary (NOTE 31)	(20.152)	-
Retirement Plan Actuary Profit / Loss Fund (NOTE 27)	(90.222)	254.227
Provisions set aside in period (NOTE 30)	1.963.299	553.166
Period End Balance	3.529.702	2.539.085

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NOTE 23 – Retirement Plans

Currently, no regulations exist for retirement commitments aside from the legal requirements specified in NOTE 22.

NOTE 24 – Prepaid Expenses and Deferred Income

	31.12.2013	31.12.2012
Advances given for orders (*)	2.888.499	4.564.814
Work Advances	495.263	451.145
Expenses for Future Months	87.901	80.059
Prepaid Expenses (Classified in Revolving Assets)	3.471.663	5.096.018
Issued Advances	35.470	36.851
Prepaid Expenses (Classified in Fixed Assets)	35.470	36.851
Advances received for orders (*)	538.782	1.232.020
Incurred Income	28.246	-
Deferred Income (Short term)	567.028	1.232.020
Deferred Income (Long Term)	-	-

(*) Those relevant to related parties of the order advances have been explained in NOTE 38.

NOTE 25 - Assets Related to the Current Period Tax

	31.12.2013	31.12.2012
Prepaid tax receivables	1.580	1.356
Assets Related to the Current Period Tax	1.580	1.356

NOTE 26 – Other Assets and Liabilities

	31.12.2013	31.12.2012
VAT Rollover	3.057.020	3.046.728
Other Current/Floating Assets	3.057.020	3.046.728
Other Non-Current/Fixed Assets	-	-
Taxes, fees and other deductions to be paid	2.030.747	955.605
Tedaş late fees liabilities	464.911	1.394.756
Past due, deferred, installment paid tax liabilities	182.831	482.715
Other	160.510	129.998
Other Short term Liabilities	2.838.999	2.963.074
Tedaş late fees liabilities	-	464.919
Past due, deferred, installment paid tax liabilities	-	141.170
Other Long term Liabilities	-	606.089

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NOTE 27 - Capital, Reserves and Other Equity Items

A. Issued Capital

The Company's approved and issued capital is comprised of 19,134,000,200 shares each with nominal price of 1 TL. The company's limit of shares is 750,000,000 TL.

As of December 31, 2013, and December 31, 2012, the Holding's approved and issued share capital, and its capital structure are as follows:

Name	31.12.2013		31.12.2012	
	Share Rate %	Share Amount	Share Rate %	Share Amount
İhlas Pazarlama Yatırım Holding A.Ş.	17,60	33.681.000	17,60	33.681.000
İhlas Holding A.Ş.	7,55	14.445.795	7,32	14.000.000
Open to Public	74,83	143.205.723	74,83	143.205.723
Other	0,02	37.483	0,25	483.278
Total	100,00	191.370.001	100,00	191.370.001

The Company's indirect partnership structure is as follows:

Name	31.12.2013		31.12.2012	
	Share Rate %	Share Amount	Share Rate %	Share Amount
Portion Open to Public	95,59	182.937.065	95,51	182.787.613
Ahmet Mücahid Ören	2,72	5.206.499	0,71	1.351.202
Enver Ören	-	-	2,47	4.731.793
Other	1,69	3.226.437	1,31	2.499.393
Total	100,00	191.370.001	100,00	191.370.001

İhlas Pazarlama Yatırım Holding A.Ş. has shown 33,600,000 shares it owns in the company as security against loans (previous period: 27,600,000 shares). Also İhlas Holding A.Ş. has shown 8,000,000 of its shares in the company as security against loans (previous period: none).

The distribution of the Company's preferential (Group A) shares as of the statement date are as follows:

Partner Name / Title	Issue	Group	N/H	Quantity	AMOUNT
İhlas Pazarlama Yatırım Holding A.Ş.	I	A	Bearer	4.049.920	40.499
İhlas Holding A.Ş.	I	A	Bearer	647.040	6.470
Ali Tubay Gölbaşı	I	A	Bearer	156.180	1.562

If the General Assembly of the Holding decides that the Board of Directors will consist of 5 people, at least 3, if the board is to consist of 7 at least 4, if the board is to consist of 9 at least 5 and if the board is to consist of 11 at least 6 of the Members of the Board of Directors are selected from among candidates nominated by group (A) shareholders. If the amendment to the Company articles of association violates the rights of preferential share holders the General Assembly decision must be approved by the preferential shareholders board.

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B. The Accrued Other Comprehensive Incomes/Expenses not to be Classified in Profit or Losses

The Accrued Other Comprehensive Incomes/Expenses not to be Classified in Profit or Losses are comprised of Tangible Fixed Assets value increase funds and actuarial profit/loss from retirement plans and the movement table is provided below;

	31.12.2013	31.12.2012
January 1 Balance	-	-
Tangible Fixed Assets value increase funds formed within the period	22.624	-
Taxes related to other comprehensive incomes not to be reclassified in the profit or shares formed in the period	(1.016)	-
Period end balance	21.608	-

In the current period 35.642 TL in tangible fixed asset increase was generated and 1,782 TL of it was assigned to tax. The portion of the generated tangible fixed asset increase belonging to the main partnership was 21,608 TL and the portion to minority shares was 12,252 TL

	31.12.2013	31.12.2012
January 1 Balance	114.477	368.704
The Actuarial profit/loss fund from retirement plans created in the period	90.222	(254.227)
Period end balance	204.699	114.477

C. Restricted Reserves from Profits

According to the Turkish Commercial Code, legal reserves are classified into two, which are the primary and the secondary legal reserves. Until the primary legal reserves reach 20% of the sum of revalued paid in capital, they are allocated by an amount that corresponds to 5% of the net profit in the legal financial statements. The secondary legal reserves are allocated as 10% of the sum of dividend distributions exceeding 5% of the revalued capital. Within the framework of TCC provisions, legal reserves are only used for netting the losses; and they are not allowed to be used for any other purpose unless they exceed 50% of the paid in capital.

	31.12.2013	31.12.2012
Legal Reserves	1.756.306	1.753.558
Special Reserves	1.768.307	1.111.845
Total	3.524.613	2.865.403

The movement tables for legal reserves are provided below:

	31.12.2013	31.12.2012
January 1 Balance	1.753.558	1.753.558
Increase/decreases connected to share rate changes not resulting in loss of power in affiliated partnership	2.748	-
Period End Balance	1.756.306	1.753.558

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The tables for the special reserved are as follows:

	31.12.2013	31.12.2012
January 1 Balance	1.111.845	134.289
Tübitak R&D Incentive	512.139	41.123
Increase/decreases connected to share rate changes not resulting in loss of power in affiliated partnerships	144.323	-
Capital reserves from mergers	-	936.433
Period end balance	1.768.307	1.111.845

D. Premiums/Discounts Concerning Shares

	31.12.2013	31.12.2012
Other Reserves	6.534.581	6.534.581
Total	6.534.581	6.534.581

E. Other Equity Reserves

	31.12.2013	31.12.2012
Other Equity Reserves	4.890.469	4.890.469
Total	4.890.469	4.890.469

The other capital reserves, due to the capital decrease process of Group companies İhlas Madencilik A.Ş. and Bayındır Madencilik A.Ş. merging, the 7,856,558 TL generated as "additional capital contribution concerning merger" is the amount that corresponds to the main partnership.

F. Other Reserves

	31.12.2013	31.12.2012
Transactions with minority share holders	(8.020.139)	-
Total	(8.020.139)	-

The main partnership has purchased net 1,248,835 lots of the İhlas Madencilik A.Ş. shares open to the public and paid 8,616,323 TL.

Since the purchase sale transaction in question did not cause change of control in the scope of IAS 27 it is in the nature of a transaction made with partners and purchase/sale of minority shares. The difference between the 596,184 TL share corresponding to the acquisition rate in the fair value of net assets acquired by the Group and the 8,616,323 TL net acquisition amount (net purchase cost) of the Group is 8,020,139 TL and it has been recognized under other provisions in equity. The transaction in question have had a negative effect of 8,616,323 TL on the Group's cash flow.

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G. Profit/(Loss) from Previous Years

According to the Series:XI, No:29 communique which went into force on January 1, 2008 and the CMB announcements that explained it "Paid Capital", "Limited Reserves Set Aside from Profits" and "Share Stocks Export Premiums" need to be shown by their amounts on record. The differences that are generated during the application of this communiqué;

- are associated with "Capital Amendment Differences" to be opened after the "Issued Capital" item if not originating from "Issued Capital" and not yet added to the capital,

- are associated with "Previous Years Profit/ Loss" if originating from "Limited Reserves Set Aside from Profits" and "Share Stocks Export Premiums" and have not been subject to profit distribution or capital increase yet.

The previous years profit/loss is comprised of the following items;

	31.12.2013	31.12.2012
January 1 Balance	(25.280.476)	3.467.180
Previous term profit /(loss)	20.546.275	(26.540.244)
Increase/decrease connected to Share Rate Changes not resulting in Loss of Control in Mergers and Affiliated Partnerships	-	(2.207.412)
Period End Balance	(4.734.201)	(25.280.476)

Profit Share Distribution

Companies open to the public distribute profits according to the no 11-19.1 Communiqué on Profit Shares of the CMB enforced as of February 1, 2014. Partnerships distribute profits in the framework of profit distribution policies determined by the General Assembly and in compliance with relevant law provisions, by General Assembly decision. No minimum distribution rate was determined within the scope of the mentioned communiqué. Companies pay shares in accordance with the form that is specified in their core contract or profit distribution policies. They may also be paid in equal or varying installments and as a cash profit share advance from the profit that is in interim period financial tables.

Unless the contingency reserves that are required to be reserved by TCC or the profit share to be reserved for shareholders specified in the profit distribution policy are reserved not only can no decision be made for other contingency reserves, transferring profit to the next year and distributing profit to dividend shareholders, Board of Directors members, partnership employees and individuals other than shareholders; but until the profit share determined for shareholders is paid in cash profit may not be distributed to any of these individual.

The Group does not have period profit in its legal records as of December 31, 2013 therefore there is no profit to make a profit distribution decision on

H. Minority Shares

The movement tables for minority shares are as follows:

	31.12.2013	31.12.2012
January 1 Balance	17.085.969	21.476.572
Total Comprehensive Income (NOTE 37)	(415.471)	(2.660.765)
Increase/decrease connected to Share Rate Changes not resulting in Loss of Control in Mergers and Affiliated Partnerships	(754.834)	(1.729.838)
Period End Balance	15.915.664	17.085.969

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NOTE 28 – Sale and Cost of Sales

A. Gross Profit / Loss from Commercial Operations

	01.01- 31.12.2013	01.01 - 31.12.2012
Domestic Sales	88.675.893	83.769.829
International Sales	19.210.250	17.461.056
Other Sales	238.574	330.530
Total Gross Sales Income	108.124.717	101.561.415
Sales Discounts (-)	(27.472)	(21.055)
Net Sales Income	108.097.245	101.540.360
Cost of Sales (-)	(90.168.636)	(90.242.556)
Gross Sales Profit	17.928.609	11.297.804

The Group's Cost of Sold Goods table for the period 01.01-31.12.2013 and 01.01-31.12.2012 is as follows:

	01.01 - 31.12.2013	01.01 - 31.12.2012
Raw materials and commercial goods expenses	(83.192.535)	(84.682.061)
Personnel expenses	(5.910.806)	(5.636.508)
Amortization and Impairment expenses (NOTE 30)	(1.404.620)	(1.135.478)
Provisions for severance pay expenses (NOTE 30)	(937.759)	(129.770)
Rent expenses	(859.120)	(870.688)
Electricity and heating expenses	(646.462)	(547.276)
Meals and Transportation Expenses	(604.754)	(552.824)
Transfer of maturity differences concerning purchases to other expenses	4.010.197	3.933.909
Stock DDK (-) / Cancellations(+)	(121.848)	(200.902)
Other Production Expenses and Amendments	(500.929)	(420.958)
Cost of Sales	(90.168.636)	(90.242.556)

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The amount of goods sold by İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi for each group individually within the period is as follows:

Product Group	01.01 – 31.12.2013	01.01 – 31.12.2012
Home Appliance Group	Unit (Item)	Unit (Item)
Water Heater Group	152.470	163.025
Water Treatment Group	82.082	94.833
Cleaning Robot	52.781	57.056
Heater	18.984	25.401
Carpet Cleaner Vacuum	11.444	9.146
Test Sets	6.573	5.456
Scale	2.374	1.302

The amount of goods produced by İhlas Ev Aletleri Sanayi ve Ticaret Anonim Şirketi for each group individually within the period is as follows:

Product Group	01.01 – 31.12.2013	01.01 – 31.12.2012
Home Appliance Group	Unit (Item)	Unit (Item)
Water Heater Group	152.723	164.002
Water Treatment Group	82.177	95.190
Cleaning Robot	52.984	57.506
Heater	18.983	25.079
Carpet Cleaner Vacuum	11.946	8.459
Test Sets	6.515	5.586
Scale	2.374	1.302

B. Gross Profit / Loss from Financial Sector Activities

01.01-31.12.2013: None (01.01-31.12.2012: None).

NOTE 29 - Operating Expenses

	01.01 – 31.12.2013	01.01 – 31.12.2012
General Administrative Costs	(9.563.421)	(9.088.634)
Marketing Costs	(3.658.156)	(2.564.585)
Research and Development Costs	(1.556.793)	(1.230.119)
Total	(14.778.370)	(12.883.338)

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NOTE 30 – Segmented Costs

As of the 01.01-31.12.2013 and 01.01-31.12.2012 period the details for segmented costs are as follows:

	01.01 – 31.12.2013	01.01 – 31.12.2012
Personnel Costs ^(a)	(4.714.213)	(4.095.824)
Severance provision costs ^(b)	(727.980)	(423.396)
Notary, tax, fees, etc. costs	(641.310)	(750.482)
Audit, consultation and consultancy costs	(626.632)	(299.125)
Building cleaning and security costs	(453.311)	(536.036)
Amortization and Impairment costs ^(c)	(412.615)	(562.096)
Doubtful Receivables provision costs	(313.368)	(241.779)
Rent costs	(262.959)	(244.401)
Repair, maintenance and energy costs	(232.456)	(278.036)
General Assembly, and remaining in MKK and İMKB quotes costs	(134.845)	(150.040)
Insurance Costs	(107.225)	(106.493)
Costs for issued order advance provisions	(71.404)	(7.162)
Work advance provisions costs	(65.895)	(499.165)
Communication and stationary costs	(65.453)	(62.347)
Foreign and domestic travel costs	(52.685)	(167.756)
Other General Administrative Costs	(681.070)	(664.496)
General Administrative Costs	(9.563.421)	(9.088.634)

	01.01 – 31.12.2013	01.01 – 31.12.2012
Personnel Costs ^(a)	(917.215)	(774.051)
Guarantee costs	(664.491)	(558.410)
Distribution and delivery costs	(655.279)	(369.610)
Provisions for severance costs ^(b)	(256.454)	-
Rent costs	(236.258)	(191.034)
Fair costs	(235.905)	-
Foreign and domestic travel costs	(150.812)	(5.583)
Quality Certificate Costs	(143.641)	(19.763)
Export Costs	(50.159)	(395.579)
Advertisement Costs	(37.941)	(29.353)

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TSE patent etc. costs	(36.793)	(25.017)
Electricity, water and heating costs	(23.902)	(21.273)
Other marketing sales and distribution costs	(249.306)	(174.912)
Marketing Costs	(3.658.156)	(2.564.585)

	01.01 – 31.12.2013	01.01 – 31.12.2012
Personnel costs ^(a)	(738.075)	(810.180)
Project Costs	(413.008)	(344.664)
Trial product costs and other research & development costs	(298.518)	(16.087)
Rent Costs	(66.086)	(59.188)
Severance provision costs ^(b)	(41.106)	-
Research and Development Costs	(1.556.793)	(1.230.119)

(a) The details of personnel costs within the operation costs are as follows:

	01.01 – 31.12.2013	01.01 – 31.12.2012
Gross salary costs	(4.237.744)	(3.229.930)
SGK deductions (worker and employee)	(1.514.118)	(1.140.808)
Other costs	(617.641)	(1.309.317)
Total	(6.369.503)	(5.680.055)

(b) The details of severance provisions are as follows:

	01.01 – 31.12.2013	01.01 – 31.12.2012
Cost of Sales	(937.759)	(129.770)
General Administrative Costs	(727.980)	(423.396)
Marketing Costs	(256.454)	-
Research and Development Costs	(41.106)	-
Total	(1.963.299)	(553.166)

(c) The details of amortization and impairment costs are as follows:

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	01.01 – 31.12.2013	01.01 – 31.12.2012
Cost of Sales	(1.404.620)	(1.135.478)
General Administrative Costs	(412.615)	(562.096)
Other Operating Costs	(109.239)	-
Total	(1.926.474)	(1.697.574)

NOTE 31 – Other Income/Costs from Operations

The details of other income/costs from operations as of 01.01-31.12.2013 and 01.01-31.12.2012 are as follows

	01.01 – 31.12.2013	01.01 – 31.12.2012
Incomes from delayed interest differences	5.293.546	8.087.632
Incomes from exchange rate differences	1.420.928	4.435.292
Rent Incomes	1.363.013	1.516.360
SGK premium treasury discount	482.532	347.561
Terminated Provisions for doubtful trade receivables	40.648	-
Terminated severance provisions	20.152	-
Terminated warranty provisions	17.022	270.811
Terminated Lawsuit Provisions	1.600	13.720
Terminated other provisions	876	303.801
Other incomes	517.286	451.484
Total Other Operating Income	9.157.603	15.426.661

	01.01 – 31.12.2013	01.01 – 31.12.2012
Delayed interest costs	(4.949.376)	(6.297.676)
Exchange rate difference costs	(4.889.474)	(3.358.149)
Goodwill impairment provision	(1.373.656)	(2.202.497)
Costs and losses for inoperable section (NOTE 30)	(109.239)	-
Commission Costs	(92.368)	(47.862)
Lawsuit Provision Costs	(62.477)	-
Other	(11.768)	(32.660)
Total Other Operating Costs	(11.488.358)	(11.938.844)

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NOTE 32 – Income/Costs from Investment Activities

The details for income/costs from investment activities as of 01.01-31.12.2013 and 01.01-31.12.2012 are as follows:

	01.01 – 31.12.2013	01.01 – 31.12.2012
Income from financial investment sales profits and value increase	9.503.542	40.201.920
Income from value increase of investment property	8.210.754	-
Fixed Assets Sales Profit	807.526	10.845
Sales profits from property sales	4.314	11.979
Cancellation of provisions for long term investment impairment	-	148.506
Income from Investment Activities Total	18.526.136	40.373.250

	01.01 – 31.12.2013	01.01 – 31.12.2012
Provisions for sales losses and impairments of financial investments	(36.125.536)	(7.480.711)
Provision for long term investment impairment	(655.903)	(32.802)
Fixed Assets Sales losses	-	(1.968.347)
Provision for investment property impairment	-	(806.616)
Costs from Investment Activities Total	(36.781.439)	(10.288.476)

NOTE 33 - Financial Costs

The details of financial costs as of 01.01-31.12.2013 and 01.01-31.12.2012 are as follows:

	01.01 – 31.12.2013	01.01 – 31.12.2012
Interest costs	(9.777.101)	(8.315.601)
Exchange rate difference costs	(2.583.118)	(1.448.594)
Total	(12.360.219)	(9.764.195)

NOTE 34 - Financial Revenues

The details of financial revenues as of 01.01-31.12.2013 and 01.01-31.12.2012 are as follows:

	01.01 – 31.12.2013	01.01 – 31.12.2012
Interest incomes	858.454	1.631.205
Total	858.454	1.631.205

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NOTE 35 – Fixed Assets Held for Sale and Discontinued Operations

A. Fixed Assets Held for Sale

31.12.2013: None.
31.12.2012: None.

B. Discontinued Operations

01.01-31.12.2013: None.
01.01-31.12.2012: None.

NOTE 36 – Income Taxes

A. Current Period Tax Assets and Liabilities

The corporate tax rate is 20%.

Profit shares (dividends) paid to domestic organizations in Turkey, and to organizations that generate income through a business or a permanent agency office in Turkey, are not subject to withholding tax. All other dividend payments are subject to a 15 percent withholding tax. Profits transferred to capital are not considered profit distributions and no withholding taxes apply. Companies pay 20 percent in estimated income withholding taxes on their quarterly financial income. Quarterly estimated withholding taxes apply to the year the estimated taxes are paid and are deducted from corporate taxes on the income tax returns submitted the subsequent year. The dividend earnings (excluding profit shares attained from investment fund participation certificates and investment partners share stocks) that are made by companies due to participating in the capital of another company which is subject to full liability are exempt from corporate tax.

For income generated from the sale of real estate, affiliated shares, founding shares, utilization shares and preemption rights carried in the Company's assets for a minimum of two full years, 75 percent of the income is exempt from corporate taxation. To use this exemption, this income must be kept in a reserve account, with no withdrawals for five years and with no cost of sales collected within two calendar years after the year of sale.

According to Turkish tax laws, financial losses reported on tax returns may be deducted up to five years from the yearly income of a company.

The details of tax costs as of 01.01-31.12.2013 and 01.01-31.12.2012 are as follows:

	31.12.2013	31.12.2012
Current Period Tax Provisions	-	-
Prepaid Taxes (-)	-	-
Total	-	-

The main components of the tax costs reflected on the income table as of 1.01-31.12.2013 and 01.01-31.12.2012 are as follows:

	01.01-31.12.2013	01.01-31.12.2012
Current Period Corporate Tax	-	-
Deferred Tax income (cost)	5.237.853	(5.968.557)
Period End Balance	5.237.853	(5.968.557)

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B. Deferred Tax Assets and Liabilities

The Group calculates deferred tax assets and liabilities on income, taking into consideration the effects of temporary differences that arise from different treatments of balance sheet items in the financial statements according to IFRS and statutory reporting regulations. These temporary differences generally arise from the differences in revenue and expense recognition in different annual reporting periods according to the IFRS and tax codes. The tax rate for 2013 is 20% (31.12.2012: 20%). Therefore the tax rate applied to deferred tax assets and liabilities calculated according to the liability on temporary differences method is 20%.

The breakdown of accumulated temporary differences and deferred tax asset and liabilities as of December 31, 2013 and December 31, 2012 prepared using the valid tax rates is as follows:

	31.12.2013		31.12.2012	
	Total Temporary Differences	Deferred Tax Assets / (Liabilities)	Total Temporary Differences	Deferred Tax Assets / (Liabilities)
Deferred Tax liabilities				
Temporary Differences for Tangible Assets	(10.103.894)	(2.020.779)	(1.898.030)	(379.606)
Payables Rediscounts	(82.956)	(16.591)	(70.749)	(14.150)
Temporary Differences for Intangible Assets	(47.613)	(9.523)	(61.083)	(12.217)
Financial Assets Value Increases	-	-	(16.326.448)	(3.265.289)
Gross deferred tax liabilities	(10.234.463)	(2.046.893)	(18.356.310)	(3.671.262)
Deferred tax assets				
Temporary Differences for Intangible Assets	5.475.234	1.095.049	5.582.348	1.116.469
Payables Rediscounts	5.321.281	1.064.256	4.278.587	855.7171
Termination Benefit Provisions	3.529.702	705.940	2.539.085	507.817
Investment Discount (R&D discount)	3.038.531	607.706	1.878.939	375.788
Inventory Impairment provisions	1.606.304	321.261	1.267.283	253.457
Warranty Provision Costs	675.481	135.096	692.503	138.501
Work related advance payment provision costs	593.157	118.631	527.262	105.452
Loan interest accrued	394.248	78.850	330.222	66.044
Financial asset impairment provisions	290.000	58.000	202.500	40.500
Doubtful receivables provisions	215.572	43.114	184.734	36.947
Lawsuit provisions	86.950	17.390	88.550	17.710
Interests recognized as expenses	-	-	918.031	183.606
Financial losses not discounted	31.876.522	6.375.304	16.545.523	3.309.105
Gross deferred tax assets	53.102.982	10.620.597	35.035.567	7.007.113
Net deferred tax assets	42.868.519	8.573.704	16.679.257	3.335.851

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	31.12.2013		31.12.2012	
	Total Temporary Differences	Deferred Tax Assets / Liabilities	Total Temporary Differences	Deferred Tax Assets / Liabilities
Deferred Tax Related to Equity Capital				
Tangible Fixed Assets Revaluation Fund (*)	(8.911)	(1.782)	-	-
Gross Deferred Tax Liability	(8.911)	(1.782)	-	-
Net Deferred Tax Assets / (liabilities)	(8.911)	(1.782)	-	-

(*) In accordance with KVK article 5, 75% of the fixed asset revaluation fund has not been included in deferred tax but 25% has.

The movement table of net deferred tax assets is as follows:

	01.01-31.12.2013	01.01-31.12.2012
January 1 Balance	3.335.851	9.304.408
Deferred Tax income (cost)	5.237.853	(5.968.557)
Deferred Tax income (expense) associated with equity	(1.782)	-
Period End Balance	8.571.922	3.335.851

The group has calculated deferred tax assets that can be deducted in the amount of 31,876,522 TL (31.12.2012: 16.545.523 TL) for financial losses in the December 31, 2013 consolidated financial tables.

As of December 31, 2013 and December 31, 2012, the maturities of the financial losses in question are as follows:

	31.12.2013	31.12.2012
2013	-	2.309.760
2014	4.456.065	4.456.065
2015	7.232.408	7.232.408
2016	2.547.290	2.547.290
2018	17.640.759	-
Total	31.876.522	16.545.523

FOOTNOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Footnotes for the Consolidated Financial Statements as of December 31, 2013
(Unless stated otherwise the amounts are in Turkish Lira (TL).)

NOTE 37 – Earnings / (Loss) per Share

Weighted average shares of the company and calculation of profit per unit share of the Company as of December 31, 2013 and December 31, 2012 are as follows:

	01.01 - 31.12.2013	01.01 - 31.12.2012
Earnings / (losses) per share from ongoing operations:		
Net period profit/(loss) share of main partnership for ongoing operations	(23.272.008)	20.546.275
Weighted average number of shares with 1 TL nominal value each	19.137.000.138	19.137.000.138
Earnings/(Loss) per share from on-going operations (kr)	(0,122)	0,107
Profit / (Loss) per share:		
Net Period Profit / (Loss)	(23.699.731)	17.885.510
Net Period profit/(loss) of minority shares	(427.723)	(2.660.765)
Net period profit/(loss) share of main partnership	(23.272.008)	20.546.275
Weighted average number of shares with 1 TL nominal value each	19.137.000.138	19.137.000.138
Earnings/(Loss) per Share(Kr)	(0,122)	0,107

The Group has no discontinued operations.

Since the Group has no potential ordinary shares with dilution impact, diluted earnings per share has not been calculated (previous period: None).

There are no dividends in the current period (Previous period: None)

There are no share based payments (Previous period: None).

NOTE 38 – Related Party Disclosures

A. The existing account balances of the Group with partners, certain companies with which the Group has indirect capital, management and business relations through partners and key personnel as of December 31, 2013 and December 31, 2012 (the net ledger values)(Some of the related party commercial receivables/debts that were mistakenly not presented under related parties in the previous period independent audit report have been included in the 31.12.2012 column below)are as follows:

Trade Receivables	31.12.2013	31.12.2012
İhlas Pazarlama A.Ş.	13.618.136	13.514.707
İhlas Fuar Hizmetleri A.Ş.	352.467	121.797
İhlas Gazetecilik A.Ş.	338.634	122.007
Klas Dış Ticaret A.Ş.	121.575	100.543
İhlas Net A.Ş.	46.288	20.277
İletişim Magazin Gazetecilik A.Ş.	41.866	22.063
Net İletişim Hiz. Elekt. San. Tic. Ltd. Şti	27.564	16.967
İhlas İletişim Hizmetleri A.Ş.	18.448	11.915

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İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Footnotes for the Consolidated Financial Statements as of December 31, 2013
(Unless stated otherwise the amounts are in Turkish Lira (TL).)

Trade Receivables	31.12.2013	31.12.2012
İhlas Medya Planlama ve Satınalma Hiz. Ltd. Şti.	9.738	7.823
Kuzuluk Kapl. Sağ. ve Petr. Ür. Tic. A.Ş.	3.022	5.894
İhlas Gelişim Yayıncılık A.Ş.	2.972	1.032
Dijital Varlıklar Görsel Medya ve İnternet Hiz. Ltd. Şti	1.209	-
İhlas Haber Ajansı A.Ş.	-	100.824
Tasfiye Halinde İhlas Finans Kurumu A.Ş.	-	22.792
TOTAL	14.581.919	14.068.641

Trade Payables	31.12.2013	31.12.2012
İhlas Holding A.Ş.	159.278	8.467
Şifa Yemek ve Gıda Üretim Tesisleri Tic. A.Ş.	82.588	75.869
İhlas Pazarlama Yatırım Holding A.Ş. İhlas	47.455	22.688
Genel Ant. Nk. Tic. A.Ş.	45.024	99.636
Fikirevim Reklamcılık Görsel Etkinlikler Tic. Ltd. Şti.	27.104	15.338
İhlas Pazarlama A.Ş.	11.711	472.620
İhlas Gazetecilik A.Ş.	7.592	3.270
İhlas Net A.Ş.	3.735	-
Dijital Varlıklar Görsel Medya ve İnternet Hiz. Ltd. Şti.	1.694	-
Voli Turizm Seyahat Tic. Ltd. Şti.	1.692	-
KPT Lojistik Taşımacılık Tur. Rek. Paz. İç ve Dış Tic. A.Ş.	826	-
İletişim Magazin Gazetecilik A.Ş.	7	7
İhlas Net Ltd. Şti.	-	3.689
TOTAL	388.706	701.584

Issued Order Advances	31.12.2013	31.12.2012
İhlas Gazetecilik A.Ş.	11.518	96.635
Şifa Yemek ve Gıda Üretim Tesisleri Tic. A.Ş.	233	233
Klas Dış Ticaret A.Ş.	-	1.040
TOTAL	11.751	97.908

Received Order Advances	31.12.2013	31.12.2012
İhlas Haber Ajansı A.Ş.	263.076	-
İhlas Holding A.Ş.	-	45.132
Tgrt Haber TV A.Ş.	-	745
TOTAL	263.076	45.877

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İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Footnotes for the Consolidated Financial Statements as of December 31, 2013
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Other Receivables	31.12.2013	31.12.2012
İhlas Pazarlama A.Ş. (a)	9.859.761	12.094.803
İhlas Holding A.Ş. (a)	3.561.378	-
Ahmet Mücahid Ören (b)	6.258.003	-
TOTAL	19.679.142	12.094.803

(a) Receivables left from property sales.

(b) Receivables generated from share stock sales.

Other Payables (Payables to Partners)	31.12.2013	31.12.2012
Ali Tubay Gölbaşı	-	12.400

Benefits Provided to Key Personnel

Key management employees are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including all directors, whether executive or otherwise, of the Company. There are two types of benefits, short-term and long-term, provided to these employees. Short-term remuneration benefits consist of salary, social security, bonuses, paid leave, and per diem payments. These types of short-term benefits are reported under "Other Short-term Liabilities".

Termination benefits provided in the event of employee termination comprise the Group's termination benefits obligations. These benefits are reported under "Employee Benefits Related Provisions".

The total short term benefits like salaries and allowances provided to key personnel in the 01.01-31.12.2013 period was 1.056.123 TL (01.01-31.12.2012: 588.913 TL) and the total termination (severance) benefit to be provided to key personnel in the 01.01-31.12.2013 period if leaving work is 274.849 TL (01.01-31.12.2012: 182.863 TL).

There are no long term benefits to be provided to key personnel in the 01.01-31.12.2013 and 01.01-31.12.2012 period. During the 01.01-31.12.2013 period 126.906 TL (01.01-31.12.2012: none) in salary and allowance benefits were provided to employees leaving the company. No share based payments are made.

B) The sales and purchases (including delay interests) that the Group has done with partner and certain companies with which it has indirect capital, management and work relations through partners in the January 1 – December 31, 2013 and January 1 – December 31, 2012 (Some of the purchase-sales transactions that were not included under related parties in previous periods by mistake have been included in the 01.01-31.12/2012 table presented below):

Purchases Made	01.01 - 31.12.2013	01.01 - 31.12.2012
İhlas Genel Ant. Nk. Tic. A.Ş.	1.195.014	1.344.974
Şifa Yemek ve Gıda Üretim Tesisleri Tic. A.Ş.	596.251	528.858
İhlas Holding A.Ş.	513.076	492.907
KPT Lojistik Taşımacılık Tur. Rek. Paz. İç ve Dış Tic. A.Ş.	478.080	341.759

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İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Footnotes for the Consolidated Financial Statements as of December 31, 2013
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Purchases Made	01.01 - 31.12.2013	01.01 - 31.12.2012
İhlas Gazetecilik A.Ş.	455.535	466.618
İhlas Pazarlama A.Ş.	361.529	70.747
Fikirevim Reklamcılık Görsel Etkinlikler Tic. Ltd. Şti.	146.061	52.757
Voli Turizm Seyahat Tic. Ltd. Şti.	40.212	-
İhlas Net A.Ş.	37.621	22.317
İhlas Pazarlama Yatırım Holding A.Ş.	19.038	3.853
Dijital Varlıklar Görsel Medya ve İnternet Hiz. Ltd. Şti.	4.846	-
İletişim Magazin A.Ş.	4.377	4.625
Klas Dış Tic. A.Ş.	2.564	3.880
NETTEC Otomasyon ve Çevre Teknolojileri A.Ş.	1.500	-
İlişkili Şahıslar (Abdurrahman Gök)	23.750	-
İhlas Dış Ticaret A.Ş.	-	3.400
Kuzuluk Kaplıca Tur. A.Ş.	-	148
İhlas Net Ltd. Şti.	-	44
TOTAL	3.879.454	3.336.877

Sales Made	01.01 - 31.12.2013	01.01 - 31.12.2012
İhlas Pazarlama A.Ş.	67.474.600	65.897.611
İhlas Holding A.Ş. Kıbrıs Bürosu	83.737	78.312
Kuzuluk Kaplıca Tur. A.Ş.	2.569	4.125
TGRT Haber TV A.Ş.	674	-
İhlas Holding A.Ş.	508	-
İhlas Genel Ant. Nk. Tic. A.Ş.	300	-
Şifa Yemek ve Gıda Üretim Tesisleri Tic. A.Ş.	291	-
KPT Lojistik Taşımacılık Tur. Rek. Paz. İç ve Dış Tic.	81	-
A.Ş. İhlas Gazetecilik A.Ş.	66	-
Klas Dış Tic. A.Ş.	-	1.022
TOTAL	67.562.826	65.981.070

FOOTNOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Footnotes for the Consolidated Financial Statements as of December 31, 2013
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C) The Group's interest, rent and other income/expenses from its partners, indirect capital through its partners, the management and the major companies with whom the Group has a business relationship, within the periods January 1 - December 31, 2013 and January 1 - December 31, 2012, are as follows (Some of the related party transactions that were inadvertently not presented in the previous period independent audit report have been included in the 01.01-31.12.2012 table below):

Interest Invoices Received	01.01 - 31.12.2013	01.01 - 31.12.2012
İhlas Holding A.Ş.	57.133	3.467
Şifa Yemek ve Gıda Üretim Tes. Tic. A.Ş.	4.255	375
İhlas Pazarlama Yatırım Holding A.Ş. İhlas	2.994	1.690
Gazetecilik A.Ş.	-	1.855
TOTAL	64.382	7.387

Issued Interest invoices	01.01 - 31.12.2013	01.01 - 31.12.2012
İhlas Pazarlama A.Ş.	839.111	1.250.030
İhlas Gazetecilik A.Ş.	63.966	29.399
İhlas Fuar A.Ş.	45.186	19.829
İhlas Holding A.Ş.	35.842	-
Klas Dış Ticaret A.Ş.	16.816	-
İhlas Net A.Ş.	5.366	981
İletişim Magazin Gazetecilik A.Ş.	5.117	1.431
Net İletişim Hiz. Elekt. San. Tic. Ltd. Şti.	3.380	472
Yakamoz Sektörel Petrol Ürünleri Yapı Gıda Ltd. Şti.	2.760	-
İhlas İletişim Hizmetleri A.Ş.	1.931	959
İhlas Medya Planlama ve Satınalma Hiz. Ltd. Şti.	1.440	1.028
NETTEC Otomasyon ve Çevre Teknolojileri A.Ş.	1.325	-
İhlas Gelişim Yayıncılık A.Ş.	392	167
Tasfiye Halinde İhlas Finans Kurumu A.Ş.	201	1.485
Dijital Varlıklar Görsel Medya ve İnternet Hiz. Ltd. Şti.	35	-
TOTAL	1.022.868	1.305.781

Rent Invoices Received	01.01 - 31.12.2013	01.01 - 31.12.2012
KPT Lojistik Taşımacılık Tur. Rek. Paz. İç ve Dış Tic. A.Ş.	105.065	86.420
İhlas Holding A.Ş.	13.533	21.600
İhlas Gazetecilik A.Ş.	1.142	3.768
TOTAL	119.740	111.788

FOOTNOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Footnotes for the Consolidated Financial Statements as of December 31, 2013
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Rent Invoices Issued	01.01 - 31.12.2013	01.01 - 31.12.2012
İhlas Gazetecilik A.Ş.	703.649	830.058
İhlas Haber Ajansı A.Ş.	264.348	254.280
İhlas Fuar A.Ş.	128.663	121.376
İhlas Pazarlama A.Ş.	78.626	84.108
İhlas Net A.Ş.	28.544	20.196
İhlas Holding A.Ş.	27.600	26.016
Klas Dış Ticaret A.Ş.	22.741	60.159
İletişim Magazin Gazetecilik A.Ş.	21.624	20.399
Tasfiye Halinde İhlas Finans Kurumu A.Ş.	15.840	26.175
Net İletişim Hiz. Elekt. San. Tic. Ltd. Şti.	11.677	3.526
Yakamoz Sektörel Petrol Ürünleri Yapı Gıda Ltd. Şti.	10.091	-
İhlas İletişim Hizmetleri A.Ş.	7.568	7.140
NETTEC Otomasyon ve Çevre Teknolojileri A.Ş.	3.784	-
Dijital Varlıklar Görsel Medya ve İnternet Hiz. Ltd. Şti.	1.188	-
İhlas Gelişim Yayıncılık A.Ş.	1.081	1.020
Şifa Yemek ve Gıda Üretim Tes. Tic. A.Ş.	792	-
İhlas Medya Planlama ve Satınalma Hiz. Ltd. Şti.	-	2.482
TOTAL	1.327.816	1.456.935

Investment Properties Sold	01.01 - 31.12.2013	01.01 - 31.12.2012
İhlas Holding A.Ş.	8.993.000	-
İhlas Pazarlama A.Ş.	-	19.000.000
TOTAL	8.993.000	19.000.000

Stocks Sold	01.01 - 31.12.2013	01.01 - 31.12.2012
Ahmet Mücahid Ören	6.258.003	-

Investment Property Purchases	01.01 - 31.12.2013	01.01 - 31.12.2012
İhlas Pazarlama A.Ş.	950.000	-

Fixed Tangible Assets Purchases	01.01 - 31.12.2013	01.01 - 31.12.2012
Klas Dış Ticaret A.Ş.	-	16.735

FOOTNOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Footnotes for the Consolidated Financial Statements as of December 31, 2013
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NOTE 39 – The Nature and Risks Generated by Financial Instruments

A) Capital risk management

The Group aims to enhance its profit and market value by maintaining an efficient debt and equity balance while trying to ensure continuity of operations in capital management. The Holding's capital structure, formed by debts and loans which are described in Note 8, and the paid-in capital, capital reserves, restricted profit reserves and equity components including prior years' profits/losses explained in Note 27.

Risks associated with each class of capital and the Group's cost of capital are evaluated by the senior management of the Group. During this evaluation, senior management evaluates the risks associated with each class of capital and cost of capital, and presents those dependent on the decision of the Board of Directors for the evaluation of the Board of Directors. The Group optimizes diversification of capital, based on the evaluation of the senior management and the Board of Directors by acquisition of new debt, repayment of existing debt and / or capital increase. The Group's overall strategy is not different from the previous period. The Group monitors the capital adequacy by using the debt/equity ratio.

The calculation of this ratio is performed through dividing the net debt by total shareholders' equity. Net debt is calculated by deducting cash and cash equivalents from the total debt amount (short-and long-term loans in the balance sheet, include trade and other payables).

	31.12.2013	31.12.2012
Total Liabilities	80.836.662	86.095.999
Minus: cash and cash equivalent values (NOTE 6)	(694.551)	(1.533.382)
Net liability	80.142.111	84.562.617
Total Equity (NOTE 27)	186.435.287	218.126.699
Ratio of net liability/equity	% 43	% 39

B) Significant Accounting Policies

The significant accounting policies of the Group regarding financial instruments are described in detail in the "Financial Instruments" section within footnote No: 2 "Summary of Significant Accounting Policies".

C) Financial Risk Management Objectives

The Group observes and manages the level and size of financial risks it has and could be exposed to through its operations by regularly following developments in the foreign and domestic markets.

Among the Group's important financial risks are currency exchange risks and delayed interest rate risks.

While the Group has no risk management model defined the group manages risks with the decisions and applications decided on by the Group management. A corporate risk management model is planned to be form and the work on this is ongoing.

D) Market Risk

The Group is exposed to financial risks due to operations related to fluctuations in foreign exchange rates and interest rates. The Company's management monitors income and expense breakdowns by foreign currency and liabilities by foreign currency and fixed and variable interest rates. The changes in market conditions which cause market risks include changes in indicator interest rates, the prices of another company's financial instrument, goods prices, exchange rates or price and rate indexes.

Management of Stock Price Changes (price risk)

The Group is exposed to price risks due to the sales prices being impacted by the changes in the price of raw material stocks. There is no kind of instrument to be used for avoiding the adverse price movements on sales margins. The group takes into account the prospective movements in raw material prices when reviewing the order – production - purchasing balances and tries to reflect the changes in raw material prices on the sales prices.

FOOTNOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Footnotes for the Consolidated Financial Statements as of December 31, 2013
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Interest Rate Risk Management:

The Group obtains loans at fixed interest rates. Interest rates related to the Group's liabilities are disclosed in detail in Footnote 8

Interest Position Table		31.12.2013	31.12.2012
Fixed Interest Financial Instruments			
Financial Assets	Assets reflected on fair value difference profit / loss	102.777	572.225
	Ready-to-sell Financial Assets	814.760	1.470.663
Financial Liabilities		4.799.656	-
Variable Interest Financial Instruments			
Financial Assets		-	-
Financial Liabilities		33.893.022	39.342.259

As of the dates December 31, 2013 and December 31, 2012, if the base point of interest were to be changed by 100 points, which means if interest rates were changed by 1%, and if all other variables could be held constant, a net interest expense / income of 60,354 TL would have emerged due to the interest change applied on the financial instruments with fixed interest rates and in this case the pre tax profit/loss would have increased/decreased by 60,354 TL.

The Group's interest rate sensitivity as of December 31 2013 is as follows:

	31.12.2013		31.12.2012	
	Profit / Loss		Profit / Loss	
	Increased Base Point	Increase of Base Point	Increased Base Point	Increase of Base Point
In case the base point change is 100 (%1):				
TL	(14.092)	14.092	-	-
USD	-	-	-	-
EURO	-	-	-	-
Total Effect of Fixed Interest Financial Instruments	(14.092)	14.092	-	-
In case the base point change is 100 (%1):				
TL	(46.262)	46.262	-	-
USD	-	-	-	-
EURO	-	-	-	-
Total Effect of Variable Interest Financial Instruments	(46.262)	46.262	-	-
TOTAL	(60.354)	60.354	-	-

FOOTNOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Footnotes for the Consolidated Financial Statements as of December 31, 2013
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Management of Exchange Rate Risk:

The recorded values of financial assets and liabilities in foreign currency as of December 31 2013 and December 31 2012 (net) are as follows:

	31.12.2013	31.12.2012
A. Foreign Currency Assets	2.838.091	9.729.597
B. Foreign Currency Liabilities	27.013.938	27.339.780
Net currency position (A-B)	(24.175.847)	(17.610.183)

CURRENCY POSITION TABLE						
	31.12.2013					
	TL Equivalent	USD	EURO	CHF	GBP	SEK
1. Trade Receivables	816.148	15.461	266.695	-	-	-
2a. Monetary Financial Assets (Cash, Bank accounts included)	10.870	2.381	918	-	-	-
2b. Non-Monetary Financial Assets	-	-	-	-	-	-
3. Other	2.011.073	464.708	347.096	-	-	-
4. Current Assets(1+2+3)	2.838.091	484.000	614.709	-	-	-
5. Trade Receivables	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
8. Fixed Assets (5+6+7)	-	-	-	-	-	-
9. Total Assets (4+8)	2.838.091	484.000	614.709	-	-	-
10. Trade Payables	26.976.547	1.171.938	8.334.847	-	-	-
11. Financial Liabilities	-	-	-	-	-	-
12a. Other Monetary Liabilities	-	-	-	-	-	-
12b. Other Non-Monetary Liabilities	37.391	15.803	1.247	-	-	-
13. Short term Liabilities (10+11+12)	27.013.938	1.187.741	8.336.094	-	-	-
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-	-	-
17. Long Term Liabilities (14+15+16)	-	-	-	-	-	-
18. Total Liabilities (13+17)	27.013.938	1.187.741	8.336.094	-	-	-
19. Derivatives in Foreign Currency Outside of the Financial Statement The Net Asset/(Liability) Situation of Instruments (19a-19b)	-	-	-	-	-	-

FOOTNOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Footnotes for the Consolidated Financial Statements as of December 31, 2013
(Unless stated otherwise the amounts are in Turkish Lira (TL).)

	TL Equivalent	USD	EURO	CHF	GBP	SEK
19a. Amount of Foreign Currency Derivative Products Outside of the Active Character Financial Statement	-	-	-	-	-	-
19b. Amount of Foreign Currency Derivative Products Outside of the Passive Character Financial Statement	-	-	-	-	-	-
20. Net Foreign Currency Asset/ (Liability) Position (9-18+19)	(24.15.847)	(703.741)	(7.721.385)	-	-	-
21. Monetary Items Net Foreign Currency Asset/ (Liability) Position (1+2a+5+6a-10-11-12a-14-15-16a)	(26.149.529)	(1.152.646)	8.067.234	-	-	-
22. The Total Fair Value of Financial Instruments Used for Exchange Rate Hedging	-	-	-	-	-	-
23. Amount of Hedged Currency Assets	-	-	-	-	-	-
24. Amount of Hedged Currency Liabilities	-	-	-	-	-	-
25. Export	19.210.250	6.394.727	2.738.900	-	-	-
26. Import	40.524.622	9.404.949	9.345.918	-	-	-

CURRENCY POSITION TABLE						
	31.12.2013					
	TL Equivalent	USD	EURO	CHF	GBP	SEK
1. Trade Receivables	642.235	96.733	199.770	-	-	-
2a. Monetary Financial Assets (Cash, Bank accounts included)	6.874	1.892	1.489	-	-	-
2b. Non-Monetary Financial Assets	-	-	-	-	-	-
3. Other	9.080.488	1.204.084	2.948.543	-	-	-
4. Current Assets(1+2+3)	9.729.597	1.302.709	3.149.802	-	-	-
5. Trade Receivables	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
8. Non-Monetary Financial Assets (5+6+7)	-	-	-	-	-	-
9. Total Assets (4+8)	9.729.597	1.302.709	3.149.802	-	-	-
10. Trade Payables	26.840.621	1.115.280	10.567.897	-	-	-
11. Financial Liabilities	-	-	-	-	-	-
12a. Other Monetary Liabilities	-	-	-	-	-	-
12b. Other Non-Monetary Liabilities	499.159	280.017	-	-	-	-
13. Short term Liabilities (10+11+12)	27.339.780	1.395.297	10.567.897	-	-	-
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-	-

FOOTNOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Footnotes for the Consolidated Financial Statements as of December 31, 2013

(Unless stated otherwise the amounts are in Turkish Lira (TL).)

	TL Equivalent	USD	EURO	CHF	GBP	SEK
16a. Other Monetary Liabilities	-	-	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-	-	-
17. Long Term Liabilities (14+15+16)	-	-	-	-	-	-
18. Total Liabilities (13+17)	27.339.780	1.395.297	10.567.897	-	-	-
19. Net Asset / (Liability) Position of Off-Balance Sheet Derivative Instruments (19a-19b)	-	-	-	-	-	-
19a. Amount of Off-Balance Sheet Derivative Instruments of an Active Nature, Denominated in Foreign Exchange	-	-	-	-	-	-
19b. Amount of Off-Balance Sheet Derivative Instruments of a Passive Nature, Denominated in Foreign Exchange	-	-	-	-	-	-
20. Net Foreign Currency Asset/ (Liability) Position (9-18+19)	(17.610.183)	(92.588)	(7.418.095)	-	-	-
21. Net Foreign Asset/(Liability) Position of Monetary Instruments (1+2a+5+6a-10-11-12a-14-15-16a)	(26.191.512)	(1.016.655)	(10.366.638)	-	-	-
22. The Total Fair Value of Financial Instruments Used for Exchange Hedge	-	-	-	-	-	-
23. Amount of Hedged Portion of Foreign Exchange Assets	-	-	-	-	-	-
24. Amount of Hedged Portion of Foreign Exchange Liabilities	-	-	-	-	-	-
25. Export	17.461.056	6.091.306	2.827.597	-	-	-
26. Import	33.036.895	4.166.746	11.158.270	-	-	-

There is no obligation for the hedging of foreign currency as the Group has no maturity transactions as of the dates December 31, 2013 and December 31, 2012. Hedging ratio of imports from total foreign currency liabilities is exchange rate risk through a derivative instrument liability for returning the total foreign Exchange rate.

As of December 31 2013 and December 31 2012 , TL, USD, EURO and other Foreign Currencies had changed by 10% at the same time and all other variables had stayed the same as a result of the net exchange rate change profits/losses generated by assets and liabilities in these currencies the pretax period net profit/loss would have been

31.12.2013: 2.417.585 TL less / more

31.12.2012: 1.761.018 TL less / more.

The exchange rate risk sensitivity analysis concerning the Group's foreign currency position is as follows

FOOTNOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Footnotes for the Consolidated Financial Statements as of December 31, 2013

(Unless stated otherwise the amounts are in Turkish Lira (TL).)

	Exchange Rate Sensitivity Analysis Table			
	31.12.2013		31.12.2012	
	Profit / Loss		Profit / Loss	
	Increase in Currency Value	Decrease in Foreign Currency Value	Increase in Currency Value	Decrease in Foreign Currency Value
If USD exchange rate changes by 10%:				
1- USD net assets/(liabilities)	(150.200)	150.200	(16.505)	16.505
2- Portion protected from USD risk (-)	-	-	-	-
3- USD Net Impact (1+2)	(150.200)	150.200	(16.505)	16.505
If EURO exchange rate changes by 10%:				
4- EURO net assets/(liabilities)	(2.267.385)	2.267.385	(1.744.513)	1.744.513
5- Portion protected from EURO risk (-)	-	-	-	-
6- EURO Net Impact (4+5)	(2.267.385)	2.267.385	(1.744.513)	1.744.513
If Other currency exchange rates changes by 10%:				
7- Other currencies net assets/(liabilities)	-	-	-	-
8- Portion protected from other currency risks(-)	-	-	-	-
9- Other Foreign Currencies Net Impact (7+8)	-	-	-	-
Total (3+6+9)	(2.417.585)	2.417.585	(1.761.018)	1.761.018

E) Credit and collection risk management

Group's credit and collection risk is basically related to its commercial receivables. The amount shown on the balance sheet consists of the net amount after the doubtful receivables estimated by Group management based on its previous experience and current economic conditions are deducted. The Group's credit risk is distributed since it works with a lot of customers and there is no important credit risk condensation. Also the Group practices effective risk management by acquiring guarantees through distributor companies for commercial receivables

FOOTNOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Footnotes for the Consolidated Financial Statements as of December 31, 2013
(Unless stated otherwise the amounts are in Turkish Lira (TL).)

Credit Risks Exposed to by Financial Instruments

31.12.2013						
	Receivables				Bank Accounts	Cash and Other
	Trade Receivables		Other Receivables			
	Related Parties	Other Parties	Related Parties	Other Parties		
Maximum credit risk exposed to as of the reporting date (A+B+C+D) (1)	14.581.919	76.006.282	19.679.142	1.844.694	623.932	833.396
Part of the maximum risk secured by assurance, etc.	21.343.000	-	-	-	-	-
A. Net book value of financial assets not past due or not subjected to deprecation (2)						
B. Net book value of assets which are past due but which have not been subjected to deprecation (5)	14.581.919	76.006.282	19.679.142	1.788.044	623.932	173.396
C. Net book values of assets subjected to deprecation (3)	-	-	-	-	-	-
- Past due (gross book value)	-	-	-	56.650	-	660.000 (*)
- Depreciation (-)	42.806	5.283.131	-	314.002	-	-
- Parts of net value assured by securities etc.	(42.806)	(5.283.131)	-	(257.352)	-	-
- Not past due (gross book value)	-	-	-	-	-	-
- Depreciation(-)	-	-	-	-	-	950.000
- Parts of net value assured by securities etc	-	-	-	-	-	(290.000)
D. . Elements that contain off-balance sheet credit risk (4)	-	-	-	-	-	-

(*) Comprised of share stocks traced in the financial investments account.

(1) Securities received, other elements that provide increase in credit reliability have not been considered in determination of the amount

(2) Future deprecation and credit risk of financial assets not past due or not subjected to deprecation is not expected.

(3) Aging analysis related to the assets past due but not subjected to deprecation as of 31.12.2013 is as follows:

FOOTNOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Footnotes for the Consolidated Financial Statements as of December 31, 2013
(Unless stated otherwise the amounts are in Turkish Lira (TL).)

	Trade Receivables		Other Receivables	
	Past Due Amount	Doubtful Receivables Provision	Past Due Amount	Doubtful Receivables Provision
1-30 past due	-	-	-	-
1-3 months past due	-	-	-	-
3-12 months past due	-	-	56.650	-
1-5 years past due	5.325.937	(5.325.937)	257.352	(257.352)
More than 5 years past due	-	-	-	-
Total	5.325.937	(5.325.937)	257.352	(257.352)
Portion secures by assurances, etc.	-	-	-	-

There are several ways a receivable may be evaluated as doubtful: a) doubtful receivables from previous years; b) the debtor's ability to pay; and/or c) extraordinary conditions in the industry and in the economy d) progressing to legal action because of being unable to collect the receivable. Due to the ability to collect receivables becoming weaker for receivables that are under legal pursuit and lawsuits provisions are reserved for all f these receivables.

(4) There are no assurances or irrevocable loan commitments received from companies that could create a credit risk

(5) There are no financial assets past due but not subjected to deprecation

31.12.2012						
	Receivables				Bank Accounts	Cash and Other
	Trade Receivables		Other Receivables			
	Related Parties	Other Parties	Related Parties	Other Parties		
Maximum credit risk exposed to as of the reporting date (A+B+C+D) (1)	14.068.641	49.675.810	12.094.803	493.890	840.542	87.951.825
Part of the maximum risk secured by assurance, etc.	17.826.000	-	-	-	-	-
A. Net book value of financial assets not past due or not subjected to deprecation (2)	14.068.641		12.094.803	493.890	840.542	692.840
B. Net book value of assets which are past due but which have not been subjected to deprecation (5)	-	49.675.810	-	-	-	-
C. Net book values of assets subjected to deprecation (3)	-	-	-	-	-	87.258.985 (*)
- Past due (gross book value)	1.377	-	-	257.352	-	-
- Depreciation (-)	(1.377)	5.051.840	-	(257.352)	-	-
- Parts of net value assured by securities etc.	-	(5.051.840)	-	-	-	-
- Not past due (gross book value)	-	-	-	-	-	71.135.037
- Depreciation(-)	-	-	-	-	-	16.123.948
- Parts of net value assured by securities etc	-	-	-	-	-	-
D. . Elements that contain off-balance sheet credit risk (4)	-	-	-	-	-	-

FOOTNOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Footnotes for the Consolidated Financial Statements as of December 31, 2013
(Unless stated otherwise the amounts are in Turkish Lira (TL).)

(*) Comprised of the share stocks tracked in the financial investments account.

1) Securities received, other elements that provide increase in credit reliability have not been considered in determination of the amount.

(2) Future deprecation and credit risk of financial assets not past due or not subjected to deprecation is not expected.

(3) Aging analysis related to the assets past due but not subjected to deprecation as of 31.12.2013 is as follows:

	Trade Receivables		Other Receivables	
	Past Due Amount	Doubtful Receivables Provision	Past Due Amount	Doubtful Receivables Provision
1-30 past due	-	-	-	-
1-3 months past due	-	-	-	-
3-12 months past due	-	-	-	-
1-5 years past due	5.053.217	(5.053.217)	257.352	(257.352)
More than 5 years past due	-	-	-	-
Total	5.053.217	(5.053.217)	257.352	(257.352)
Portion secures by assurances, etc.	-	-	-	-

There are several ways a receivable may be evaluated as doubtful: a) doubtful receivables from previous years; b) the debtor's ability to pay; and/or c) extraordinary conditions in the industry and in the economy d) progressing to legal action because of being unable to collect the receivable. Due to the ability to collect receivables becoming weaker for receivables that are under legal pursuit and lawsuits provisions are reserved for all f these receivables.

(4) There are no assurances or irrevocable loan commitments received from companies that could create a credit risk

(5) There are no financial assets past due but not subjected to deprecation.

F) Liquidity Risk Management

The Group manages liquidity risk through monitoring estimated and realized cash flow regularly and ensuring sustenance of sufficient funds and borrowing reserves by criticizing maturities of financial assets and liabilities.

Maturities According to Agreement	31.12.2013				
	Book Value	Contractual Cash Outflows Total	Less than 3 months	3 - 12 months	1 - 5 years
Non-Derivative Financial Liabilities	67.019.843	67.268.503	18.145.504	49.122.999	-
Bank Loans	38.692.678	38.551.759	5.393.302	33.158.457	-
Trade Payables	24.402.039	24.791.618	9.106.874	15.684.744	-
Other Liabilities	3.925.126	3.925.126	3.645.328	279.798	-
Expected Maturities	Book Value	Expected Cash Outflows Total	Less than 3 months	3-12 months	1-5 years

FOOTNOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Footnotes for the Consolidated Financial Statements as of December 31, 2013
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Non-Derivative Financial Liabilities	8.238.442	8.513.585	338.407	7.412.747	762.431
Trade Payables	6.714.242	6.976.172	177.897	6.798.275	-
Other Liabilities	1.524.200	1.537.413	160.510	614.471	762.431
Expected (or Contractual) Liabilities	Book Value	Contractual / Expected Cash Outflows Total	Less than 3 months	3 - 12 months	1 - 5 years
Derivative Cash Inflow	-	-	-	-	-
Derivative Cash Outflows	-	-	-	-	-

Contractual Maturities	31.12.2012				
	Book Value	Contractual Cash Outflows Total	Less than 3 months	3 - 12 months	1 - 5 years
Non-Derivative Financial Liabilities	66.190.016	66.712.913	10.720.273	55.386.551	606.089
Bank Loans	39.342.259	39.342.259	547.658	38.794.601	-
Trade Payables	23.158.032	23.680.929	8.621.495	15.059.434	-
Other Payables	12.400	12.400	12.400	-	-
Other Liabilities	3.677.325	3.677.325	1.538.720	1.532.516	606.089
Expected Maturities	Book Value	Expected Cash Outflows Total	Less than 3 months	3-12 months	1-5 years
Non-Derivative Financial Liabilities	13.695.636	14.308.192	757.730	12.769.409	781.053
Trade Payables	10.955.471	11.536.876	-	11.536.876	-
Other Liabilities	2.740.165	2.771.316	757.730	1.232.533	781.053
Expected (or Contractual) Liabilities	Book Value	Expected Cash Outflows Total	Less than 3 months	3-12 months	1-5 years
Derivative Cash Inflow	-	-	-	-	-
Derivative Cash Outflows	-	-	-	-	-

G) Hedge Accounting

The Group does not perform forward, future, option and swap transactions to hedge derivative product purchase and sales transactions and currency exchange and/or interest rate risk.

FOOTNOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Footnotes for the Consolidated Financial Statements as of December 31, 2013
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NOTE 40 – Financial Instruments (Fair Value Disclosures and Disclosures in the Framework of Financial Risk Hedging)

According to the IAS 39 “Financial Instruments: Recognition and Measurement”, financial assets are classified into four groups and financial liabilities into two groups. Financial assets include loans, receivables and assets for sales items where fair value differences are reflected in the income statement. On the other hand, financial liabilities are classified into two groups: those with fair value differences reflected in the income statement and those classified as other financial liabilities.

Values and classifications of financial assets and liabilities as of December 31, 2013 and as of December 31, 2012 are depicted below

31.12.2013	Financial Assets and Liabilities Reflected on the Fair value Difference Table	Financial Assets Held to Maturity	Loans and Payables	Ready to Sell Financial Assets	Other Debts / Debts Measured in Amortized Cost	NOTE Ref.
Financial Assets						
Cash and Cash Equivalents	694.551	-	-	-	-	6
Financial Investments	762.777	-	-	814.760	-	7
Trade Receivables	-	-	90.588.201	-	-	10
Other Receivables	-	-	21.523.836	-	-	11
Financial Liabilities						
Payables	-	-	-	-	38.692.678	8
Trade Payables	-	-	-	-	31.116.281	10
Other Payables	-	-	-	-	-	11

31.12.2012	Financial Assets and Liabilities Reflected on the Fair value Difference Table	Financial Assets Held to Maturity	Loans and Payables	Ready to Sell Financial Assets	Other Debts / Debts Measured in Amortized Cost	NOTE Ref.
Financial Assets						
Cash and Cash Equivalents	961.157	572.225	-	-	-	6
Financial Investments	87.258.985	-	-	1.470.663	-	7
Trade Receivables	-	-	63.744.451	-	-	10
Other Receivables	-	-	12.588.693	-	-	11
Financial Liabilities						
Payables	-	-	-	-	39.342.259	8
Trade Payables	-	-	-	-	34.113.503	10
Other Payables	-	-	-	-	12.400	11

FOOTNOTES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Footnotes for the Consolidated Financial Statements as of December 31, 2013
(Unless stated otherwise the amounts are in Turkish Lira (TL).)

Fair value measurements are described in the accounting policies for each financial asset and liability; and there is no other event that requires revaluation. Book value of cash and banks are accepted to be similar to their fair value.

The Group has classified the fair value measurements of financial instruments reflected in the consolidated financial tables with fair value in three hierarchy levels according to the source of financial instrument class inputs.

Level 1: Valuation techniques in which the price being processed (unamended) on the active market for specified financial instruments.

Level 2: Other valuation techniques containing direct and indirect observable input

Level 3: Valuation techniques that do not include market input.

The fair value measurement hierarchy table as of December 31, 2013 is as follows:

Financial assets carried to the financial table from fair value	Level 1	Level 2	Level 3
Cash and Cash Equivalents	-	694.551	-
Financial Investments (share stocks)	762.777	-	-

The fair value measurement hierarchy table as of December 31, 2012 is as follows:

Financial assets carried to the financial table from fair value	Level 1	Level 2	Level 3
Cash and Cash Equivalents	-	961.157	-
Financial Investments (share stocks)	87.258.985	-	-

NOTE 41 – Events After the Reporting Period

Approval of the consolidated financial statements

The Board of Directors approved the financial statements dated December 31, 2013 and authorized their publication on March 5, 2014. Only the General Assembly is authorized to adjust the financial statements once published by the Group shareholders or other related parties.

NOTE 42 - Miscellaneous Items for Clarifying and Explaining the Financial Statements and Items that Significantly Affect the Financial Statements

Pursuant to the Capital Market Board's meeting no. 20/670 on June 7, 2013 the samples of financial tables effective as of the interim periods ending after March 31, 2013 for capital market companies within the scope of the Communiqué on Principles Concerning Financial Reporting in the Capital Market and the guidebook have been published. Since, in accordance with these formats, some account items have been reclassified and reported in the Group's financial status tables dated 31/12/2012 and other consolidated comprehensive income tables for the period 01/01 – 31/12/2012, the Group's previous consolidated financial tables and consolidated comprehensive income table has been reclassified. Also the Group has classified some commercial receivables/payables from related parties shown inadvertently in previous periods under the other commercial receivables/payables not from related parties, under commercial receivables/payables from related parties.

The mentioned classifications are as follows:

In the financial table and comprehensive income tables;

The issued advances and costs for future months under other floating assets have been classified under prepaid expenses. The prepaid trade receivables under other floating assets have been classified under assets relevant to current period tax.

The advances under fixed assets have been classified under prepaid expenses.

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İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Footnotes for the Consolidated Financial Statements as of December 31, 2013
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The rotating bank loans within other financial liabilities have been classified under short term payables.
The social security deductions within the short term liabilities have been classified under employee benefits payables.
The advances received within the short term liabilities have been classified under deferred income.

The cost of sales and the actuarial profits/losses under general administration costs have been classified under accumulated other comprehensive incomes or costs not to be reclassified under profits or losses. The delayed interests and exchanges rate difference costs/revenues under the financing costs/revenues have been classified under costs/revenues from main operations.

The sales profits from securities under financing revenues have been classified under revenues from investment activities.

The fixed asset sales profits/losses, financial investments value appreciation/depreciation and sales profits/losses under main operations revenues/costs have been classified under the provisions for long term financial investments impairments / cancellations and investment property impairment revenues/costs.

Reclassified Items	Before Classification 01.01 – 31.12.2012	Amount Classified	After Classification 01.01 – 31.12.2013
Prepaid Costs (Classified in Floating Assets)	-	5.096.018	5.096.018
Assets Related to the Current Period Tax	-	1.356	1.356
Other Current Assets	8.144.102	(5.097.374)	3.046.728
Prepaid Costs (Classified in Fixed Assets)	-	36.851	36.851
Other Fixed Assets	36.851	(36.851)	-
Short term Liabilities	-	39.342.259	39.342.259
Other Financial Liabilities	39.342.259	(39.342.259)	-
Payables from Employees Benefits	-	835.254	835.254
Short term Deferred Income	-	1.232.020	1.232.020
Short term Other Liabilities	5.030.348	(2.067.274)	2.963.074
Cost of Sales	(90.272.373)	29.817	(90.242.556)
General Administrative Costs	(9.313.044)	224.410	(9.088.634)
Other Operating Income	43.265.008	(27.838.347)	15.426.661
Other Operating Costs	(12.571.495)	632.651	(11.938.844)
Income from Investment Activities	-	40.373.250	40.373.250
Costs from Investment Activities	-	(10.288.476)	(10.288.476)
Financial Costs	(19.420.020)	9.655.825	(9.764.195)
Financial Incomes	14.166.108	(12.534.903)	1.631.205
Other Accumulated Comprehensive Incomes and Expenses Not to be Reclassified in Profit/Loss - Actuarial Profit /(Loss from Retirement Plans	-	(254.227)	(254.227)





İHLAS MADENCİLİK A.Ş. 2013

Capital Structure and Area of Activity

The paid capital of İhlas Madencilik A.Ş. as of December 31, 2013 is 79,542,538 Turkish lira

Shareholder structures of the Company as of December 31, 2013 and December 31, 2012 are as follows:

Name / Title	31.12.2013		31.12.2012	
	Share %	Share Amount	Share %	Share Amount
İhlas Ev Aletleri İmalat Sanayi ve Tic. A.Ş. ⁽¹⁾	63,82	50.761.655	65,80	52.338.110
İhlas Holding A.Ş. ⁽²⁾	9,75	7.755.018	9,75	7.755.018
İhlas Pazarlama A.Ş.	3,88	3.088.272	-	-
Open to Public	22,48	17.884.272	24,38	19.396.263
Other	0,07	53.147	0,07	53.147
Total	100,00	79.542.538	100,00	79.542.538
Capital Adjustment Differences		70.140.548		70.140.548
Total		149.683.086		149.683.986

⁽¹⁾ There is a block on 5,485,454 TL of the Company's Main Partner İhlas Ev Aletleri İmalat Sanayi ve Tic. A.Ş.'s nominal shares due to the loans being used by İhlas Ev Aletleri İmalat Sanayi ve Tic. A.Ş. (31/12/2012: nominal 14,489,743 TL)

⁽²⁾ There is a block on 7,275,000TL of the Company's Main Partner İhlas Ev Aletleri İmalat Sanayi ve Tic. A.Ş.'s nominal shares due to the loans being used by İhlas Ev Aletleri İmalat Sanayi ve Tic. A.Ş. (31/12/2012: None)

The real individuals and legal entities with indirect shares in the capital:

Name / Title	31.12.2013		31.12.2012	
	Share %	Share Amount	Share %	Share Amount
Enver Ören (*)	-	-	2,62	2.082.123
Ahmet Mücahid Ören	3,04	2.414.996	0,58	460.511
Ayşe Dilvin Ören	0,65	518.341	-	-
Open to Public	95,00	75.569.265	95,54	75.999.469
Other	1,31	1.039.936	1,26	1.000.335
TOTAL	100,00	79.542.538	100,00	79.542.538

(*) Due to the passing of Enver Ören, one of the Group's indirect partners, on February 22,2013, the indirect partnership structure has changed as follows

General Information

Mining sites where İhlas Madencilik A.Ş. has taken over licenses may be grouped into three main categories. These sites contain gold, coal, and industrial alloys. İhlas Madencilik A.Ş. has taken over 87 mining licenses and applied for 84 site operation licenses and also been issued by MİGEM licenses for 3 sites that had been applied for in previous periods.

İhlas Madencilik A.Ş. In line with the Board of Directors decision dated March 5, 2010, with the permission of the Capital Markets Board of Turkey (CMB), amendment of the second article of the Company's Articles of Association, titled "Title of the Company", and the third article, titled "Purpose and Subject", has been accepted at the General Assembly held on April 26, 2010.

The amendment has been registered by the Register of Commerce on April 29, 2010. On the registry, the Company's title has been changed to Bayındır Madencilik ve Ticaret A.Ş. and the area of activity was updated to, in short, all types of mining activities. Later, during the General Assembly held on May 7, 2011, the Company has decided that İhlas Madencilik A.Ş. be merged internally and the title of the Company, which was Bayındır Madencilik ve Ticaret A.Ş., be changed to İhlas Madencilik A.Ş., on the condition that all assets and liabilities are universally undertaken, in line with Article 451, and all other related articles of the Turkish Commercial Code, Articles 19 and 20 of; the Corporate Tax Law No. 5520, Communiqué on the Principles Regarding Mergers (Serial I, No. 31) of the CMB, and all other related legislation provisions. This decision was registered by the Istanbul Register of Commerce on May 18, 2011.

The area of activity of İhlas Madencilik A.Ş. is now all types of mining activities. In line with the royalty agreement signed with Mir Maden İşletmeciliği Enerji ve Kimya San. Tic. Şti on December 17, 2010, İhlas Madencilik A.Ş. began production in Sarıyurt village in the Bayındır district of İzmir on January 1, 2011.

The Main Area of Activity and Purposes of the Company

The activities identified in the company's articles of association are as follows:

- To mine for all types of mines, mineral ores, and the like, to carry out all types of mining, to run mines, to prepare, sort, enrich, transport mineral ores, to perform necessary actions to make the mineral ores suitable for production or consumption, to liquefy, use flotation, roast, and all types of smelting, grinding, reshaping of minerals, to produce metal or establish any kind of industrial facility related to this, to buy, sell, produce, perform domestic and international trade, import, export, execute undertaking and brokering of miscellaneous hardware, scraps, and deposits,
- To establish mines and quarries, industrial facilities, factories, workshops and depots, sales and exhibition outlets; to operate them in person or through cooperation, and to rent, lease, transfer, or sell them,
- To produce all kinds of iron-steel, especially sulfurous steel, leaded steel, and high-carbon or low-carbon steel, steel non-corroded by mercury or air, silicon steel, black galvanized steel, checkered steel or perforated steel, angle beams, all types of iron, construction iron, and brackets made of iron and steel,
- To establish all kinds of laboratories, both domestically and internationally, related to the Company's purpose and area of activity, to provide laboratory services, to perform all types of analyses, tests, and similar processes; to carry out quality controlling activities; to collaborate with organizations and participate in activities regarding providing laboratory services,
- To obtain exploration licenses, intermediary operating licenses, and operating licenses, to transfer, lease, owned mining licenses, or have someone else operate the mining facility in exchange for a royalty agreement, to undertake operating or exploration licenses or to operate a mining facility in exchange for a royalty agreement,
- Reserving the provisions of the last paragraph of Article 15 of the Capital Markets Law, the Company can collaborate and/or sign agreements with limited duration or no duration with government agencies, private organizations, institutions, local and/or international real persons or legal entities, establish all types of partnerships, partake in established or to be established partnerships, participate in the management or audit of business organizations, and/or establish and invest in institutions directly on its own behalf. Provided that it does not perform brokerage services or manage stock portfolios, and that it abides by Capital Markets Laws, the Company can buy stocks and execute all other items mentioned in the Articles of Association.

İHLAS MADENCİLİK A.Ş. 2013

Activity Plans, Licenses Obtained and Subsequent Activities

Ihlas Madencilik A.Ş. plans to obtain professional consultancy services from companies with international accreditation regarding sites for which it has taken exploration licenses through purchase or re-application, and give authority for reserve and feasibility studies of the relevant mining sites.

On the other hand, matters such as detection of sites that could be operated with minimal investment, preparation of operation projects, preparation of exploration activity reports and preparation of Environmental Impact Evaluation (EIE) report and preliminary EIE research reports are aimed to be prioritized.

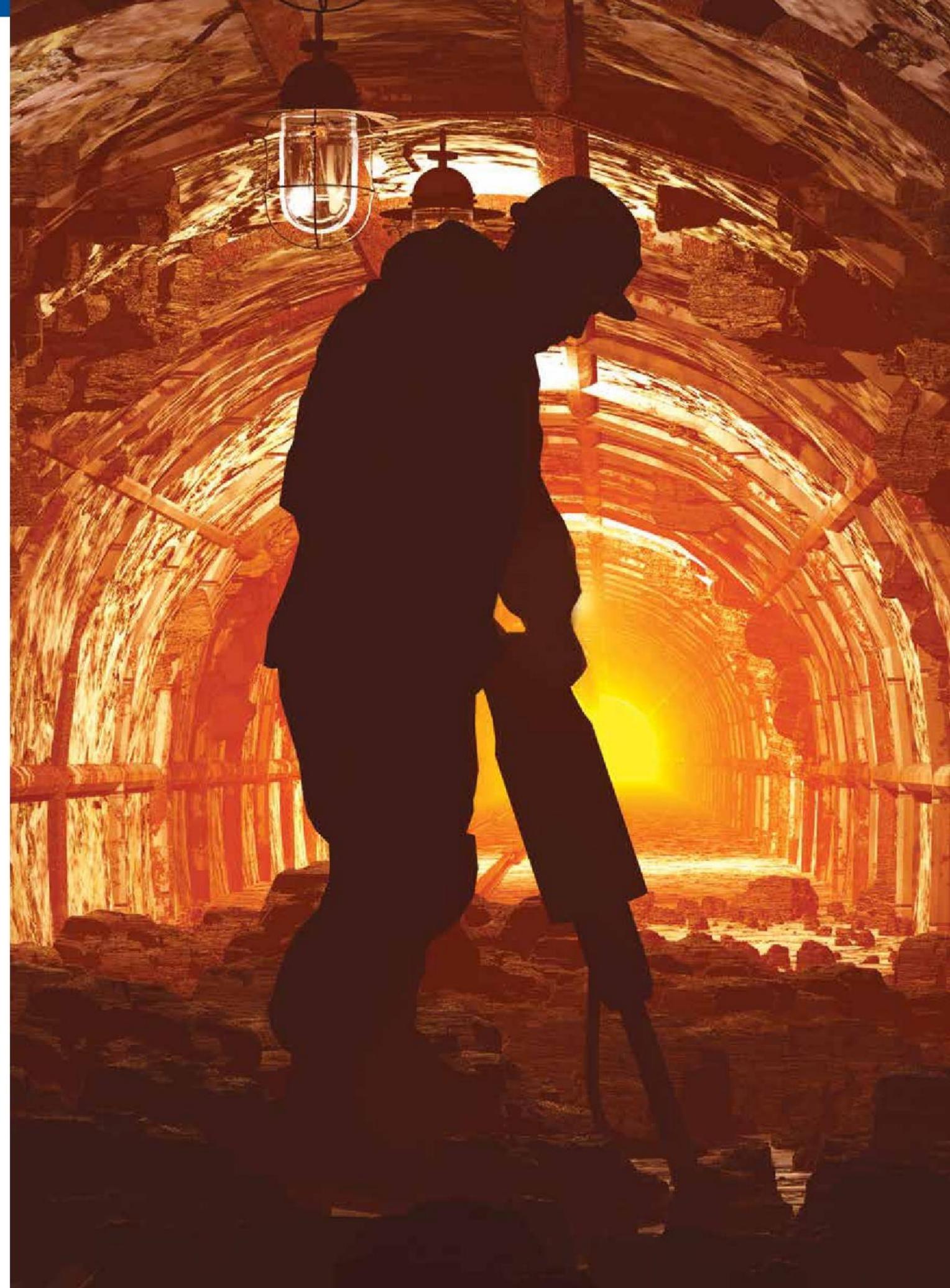
Ihlas Madencilik A.Ş. signed a contract with Bentaş İnşaat Malzemeleri Ticaret ve Sanayi A.Ş. on May 5, 2008 to purchase the exploration license for a 423.17-hectare mining site near Salihli/Sart Mersindere village in return for an eight percent royalty, and took over the site with the permission of Republic of Turkey Ministry of Energy and Natural

Resources, Directorate of Mining Affairs.

Ihlas Madencilik A.Ş. has taken over eight percent royalty rights from Bentaş İnşaat Malzemeleri Ticaret ve Sanayi A.Ş. on January 21, 2011. As a result of drilling efforts carried out in the relevant site from the date of takeover, the company applied to the General Directorate of Mining Affairs with a request for operating license and acquired the operating license on July 5, 2010.

Mining sites where Ihlas Madencilik A.Ş. has taken over licenses may be grouped into three main categories. These are metallic minerals, energy raw materials, and industrial raw materials. These sites contain gold, coal, and industrial alloys.

The company has taken over 87 mining licenses, applied for 84 operation licenses and been issued licenses from the MİGEM for 3 sites it had applied for in the past.



ihlas 
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