İhlas Ev Aletleri

2010 ANNUAL REPORT

İhlas Ev Aletleri

2010

ANNUAL REPORT


ihlas

Contents

Technology
exists to turn electrical power into the power of life...

Technology

exists so that we can take the time to enjoy life...

For us, technology is just a tool that allows us to take time to enjoy the true beauty in life.

We constantly think, design, and manufacture appliances that give you time.

Message from the Chairman of the Board of Directors

In spite of uncertainties in the economic sense throughout the world, 2010 marked another year in which our advances, our growth, and our institutionalism were registered.

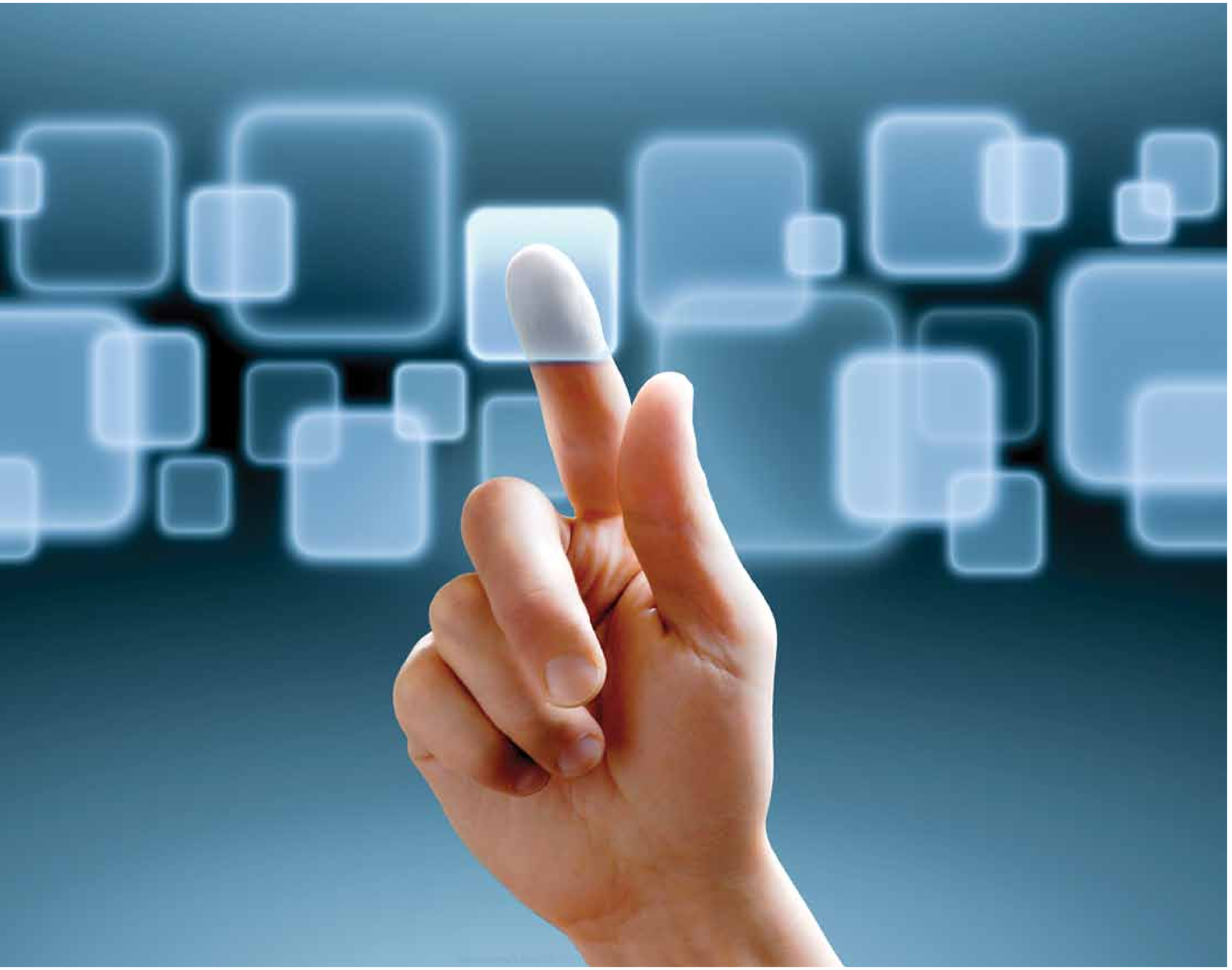
We added the newly designed Aura QVac carpet washing machine and the Aura Wdry wet and dry vacuum cleaner to our product portfolio in 2010. In the second half of 2010, we added a new facility with an enclosed space of 6,000 square meters, very close to our current facilities, with an enclosed space of 15,000 square meters, in the Beylikdüzü Organized Industrial Zone, where we carry out our production. Our new facility provided us with additional capacity in production and logistics.

At the end of the year, JCR ER Eurasia Rating evaluated the Corporate Governance practices of IHEVA within the scope of CMB regulations and determined our level of conformance to principles as 7.12 over 10. Thanks to this, our company began trading on the ISE Corporate Governance Index as of December 29, 2010.

Our achievements in 2010 inspire our Board of Directors, and all our employees, to continued development, progress, and learning. We are happy to share these achievements with our esteemed investors, business partners and employees.

Sincerely yours,

Abdullah Turalı



Board of Directors

Abdullah Turalı / Chairman of the Board of Directors Member of the Audit Committee; Member of the Corporate Governance Committee

He was elected on April 21, 2004, 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. He completed his military service between 1983 and 1984 and worked in free trading from 1984 to 1994. From 1994, Abdullah Turalı has held the position of manager in various departments at Ihlas Holding A.Ş. Currently he is the chairman of the Board of Directors of Ihlas Home Appliances. Abdullah Turalı is married and has three children. He is fluent in English.

Abdullah Turalı also serves as the vice chairman for the Board of Directors of Ihlas Pazarlama A.Ş., İhlas Pazarlama Yatırım Holding A.Ş., Bisan Bisiklet Moped Otomotiv San.Tic A.Ş, Bisiklet Pazarlama San.ve Tic. A.Ş., and Bayındır Madencilik A.Ş. He is a member of the Board of Directors of Kristal Kola and Meşrubat Sanayi ve Ticaret A.Ş., İhlas Meşrubat A.Ş. and Armutlu Tatil ve Turizm Işletmeleri A.Ş., and general manager of Mir Iç ve Dış Ticaret Maden San.Ltd.Şti.

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

He was elected on April 21, 2004, 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, 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 Teacher's High School in Gökçeada, Çanakkale. Kurucan graduated as a mechanical engineer in 1982 from Istanbul Technical University, Faculty of Mechanical Engineering. He went on to complete his master's degree in gas turbines at Eskişehir Osman Gazi University, and he worked at the Turkish Air Force Jet Engine Maintenance Plant in Eskişehir for 6 years. After working at the TUSAŞ F-16 Engine Plant in Eskişehir in Contract and Quality Management under the U.S. Department of Defense for 11 years, Kurucan retired in 1999. Since 1999, he has held executive management positions at Ihlas Pazarlama A.Ş. and Ihlas Ev Aletleri A.Ş., both Ihlas Holding Group companies. Currently, Kurucan is the general manager of Ihlas Ev Aletleri A.Ş. He is married and has two children. He is fluent in English with a fundamental knowledge of French. Sedat Kurucan is a member of the Board of Directors of İhlas Pazarlama Yatırım Holding A.Ş.

Mehmet Küsmez / Member of the Board of Directors Chief Financial Officer

He was elected on April 21, 2004, 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, born in Karabük in 1970, finished primary school through high school in Karabük, graduating from the Karabük Demir Çelik High School in 1987. He then graduated from Anadolu University, Faculty of Business Department of Accounting and Finance. In 1988, Mehmet Küsmez began working in the Türkiye Gazetesi Sirkeci Sales and Distribution Office. He has been working in middle and executive management positions in the Accounting, Finance, and Planning departments at Ihlas Home Appliances since 1990. Küsmez has been a member of the Board of Directors since 2001 and was assigned his current position as CFO in 2004. He is married and has two children.

Yasin Yılmaz / Member of the Board of Directors, Independent Member Chairman of the Auditing Committee

He was elected on April 21, 2004, for a three-year term, until the General Assembly to be held at the end of the third year.

Yasin Yılmaz, born in Erciş, Van in 1970, finished primary school through high school in Erciş. After studying in the Tobacco Connoisseur department at Yüzüncüyıl University, he attended Anadolu University, Faculty of Economics, and was certified as a public accountant. Yılmaz is the assistant general manager of Finance at Kiler Holding. He is married and has two children.

Ümit Güney / Member of the Board of Directors, Independent Member Chairman of the Corporate Governance Committee

He was elected on April 21, 2004, for a three-year term, until the General Assembly to be held at the end of the third year.

Ümit Güney, born in Istanbul on March 25, 1972, graduated from Kadıköy Anatolian High School and Boğaziçi University, where he studied computer engineering. He completed his MBA in marketing, business finance, and accounting and has received training in project, strategic, and employee management. Güney has held executive management positions in the Informatics industry, where he is currently working as a business development manager. Güney is fluent in English.

Executive Management

Sedat Kurucan / General Manager

Born in 1960 in Ordu, Kurucan completed his primary education in Ordu, his middle education at the Bursa Mustafakemalpaşa Middle School and completed high school at the Çanakkale-Gökçeada Atatürk Teacher's High School. He graduated from Istanbul Technical University's Faculty of Mechanical Engineering in 1982 as a mechanical engineer; and acquired a master's degree at Eskişehir Osman Gazi University, concentrating on gas turbines. Kurucan worked at the Air Forces Command, Eskişehir Airplane Engine Maintenance Factory, for six years, followed by an 11-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 resigned in 1999, and assumed senior management duties at Ihlas Pazarlama and IHEVA, Ihlas Holding Group companies. Sedat Kurucan is currently the general manager of IHEVA. He is married and has children, has a solid command of English and basic knowledge of French.

Dr. Ömer Şaban Kamber / Technical Department Director

Born in 1965 in Siirt, Kamber completed primary school in Tarsus, followed by middle education at Istanbul Gedikpaşa Middle School and high school at the Istanbul Kadırga Industrial Vocational High School, Lathe-Leveling department. He graduated from Yıldız University, Faculty of Mechanical Engineering in 1989 as a mechanical engineer. Kamber completed his master's degree at Marmara University, on plastic injection molds, and in 2008, he completed a doctorate at Marmara University, also on plastic injection molds. With the publication of numerous scientific studies and international papers, Kamber has worked in the executive management of the Technical department as a responsible manager in different units of IHEVA for 18 years. Kamber also lectures at Marmara University as a teaching assistant. He is currently working as the Technical Department director at IHEVA. He is married and has two children. He has a good command of English and intermediate knowledge of Macedonian.

Mehmet Küsmez / Accounting and Finance Director

Born in 1970 in Karabük, Küsmez completed his primary through high school education there, graduating from Karabük Demir Çelik High School in 1987. He graduated from Anadolu University, Faculty of Business Administration, Accounting and Finance Department. Küsmez began his career in the Sales and Distribution Office of Türkiye Newspaper in 1988. He has worked at IHEVA since 1990, with middle and senior executive duties in the Accounting, Finance, and Planning departments. He has been a member of the Board of Directors since 2001 and has served as a member of the Board and Chief Financial Officer since 2004. He is married and has two children.

Bülent Kaya / Sourcing Department Director

Born in 1966 in Ordu, Kaya completed his primary education in Germany and his middle and high school education at Istanbul Bahçelievler High School. He graduated from Istanbul Technical University's Faculty of Science and Letters in 1989 as a physics engineer. Kaya received a master's degree from Istanbul Technical University, Faculty of Business Administration, Business Administration Engineering department, on NDT method, and was named senior engineer in 1992. He conducted studies at the Çekmece Nuclear Research and Training Center and subsequently worked in private enterprise. In 1994, Kaya assigned executive management duties at IHEVA. He is currently a department director at IHEVA. He is married and has one child. He has a solid command of English and intermediate knowledge of German.

Erkan Adıgüzel / Operation Director

Adıgüzel was born in 1964 in Bayburt. He attended primary through high school in Istanbul. He graduated from Çukurova University, Faculty of Economics and Administrative Sciences / Business Administration Department, in 1993. He worked for Ihlas Motor from 1993 to 1997; he also served as a sales representative, in the Import department, and as a foreign trade coordinator in the Company. From 1997, Adıgüzel has served as a senior manager in the Operations department at IHEVA and is currently working as the operation director. He has a good command of English and is married and has four children.

Cengiz Baday / TQM Department Director

Born in 1970 in Istanbul, Baday also completed primary through high school education there. He graduated from Avcılar 50. Yıl Insa High School in 1987, and from Yıldız Technical University, Faculty of Engineering, Electrical Engineering Department, in 1992. Between 1992 and 1998 he worked at the Aksan Elektrikli Ev Aletleri and at the Ütüsan/Zass Elektrikli Ev Aletleri companies as a quality engineer and quality manager. Baday has served in Ihlas Ev Aletleri Quality Assurance executive management since 1998. He is currently working as the TQM Department director at IHEVA. He is married and has one child. He has a good command of English.

Mehmet Ercan Akgün / Material and CRM Department Director

Born in 1972 in Istanbul, Akgun also completed primary through high school education there. He graduated from Fatih Vatan High School in 1989, studying in Karadeniz Technical University, Construction Technician Department, between 1990 and 1992. He graduated from Anadolu University's Faculty of Economics in 1998 and was qualified as an independent accountant and public accountant in 2004. Akgün has worked at IHEVA since 1993, serving as a middle and expert-level manager in the Accounting department. He is currently working as a material and CRM director.

Mustafa Salih Yazıcı / Administrative Affairs and Human Resources Department Director

Born in 1965, Yazıcı completed his primary through high school education in Samsun. He graduated from Hacettepe University, Public Administration Department, in 1987. He received a master's degree from Gazi University on "Innovations in Public Institutions." In 1993, while enrolled in the doctorate program at Hacettepe University, he departed to help establish the Türkiye Newspaper Samsun Printing Facility. While at university (1988-1993), he worked as a research assistant in the University's Public Administration Department. Between 1996 and 2002, Yazıcı served in various roles at the Samsun Branch and at the Istanbul General Directorate of Ihlas Finans Kurumu A.Ş. From 2002 to 2005, he served as general manager for the TGRT TV Human Resources and Training departments. Yazıcı has held the title of Administrative Affairs and Human Resources department director at IHEVA, since 2005. He is married and has one child. He has a strong command of English.

Technology
exists to add joy to each moment…

For us, technology means making each minute more meaningful, more joyful.

aura

Cleanmax

Board of Directors Report

Dear Partners,

First, we would like to greet our esteemed partners and their proxies, the honorary participants of our Ordinary General Shareholders Meeting. We now present to you, for your examination and approval, the Board of Directors and Auditors Reports as well as the Consolidated Financial Statement for 2010, our company's 16th fiscal year. These financial statements have been prepared according to IAS-IFRS and the Communiqué on Accounting Standards in Capital Markets (Serial XI, No: 29) of the Capital Markets Board.

We have examined the 2010 Annual Activity Report and the Consolidated Financial Statement and footnotes of Ihlas Ev Aletleri Imalat Sanayi ve Ticaret A.Ş., as of December 31, 2010, prepared according to the Communiqué on Accounting Standards in Capital Markets (Serial XI, No: 29) of the Capital Markets Board. We hereby declare that the financial statements and footnotes included in the Activity Report reflect the financial status of the Company in full compliance with legislation.

Despite the global economic crisis, the restructuring, and the fluctuations that emerged from detecting and evaluating risks in our developed markets in 2009, the Company performed successfully in our main area of activity and ended 2010 with a consolidated profit of 5,363,313 Turkish lira before tax.

The Paid-in Capital of our company within a Registered Capital of 250 million Turkish lira is 191,370,001.38 Turkish lira. Ihlas Pazarlama Yatırım Holding A.Ş. is the sole partner owning more than 10 percent of our company's capital.

We have 304 employees. There is no Collective Labor Agreement Practice at our company. The allocated provision for severance pay is 1,092,263 Turkish lira.

The Corporate Governance Principles Compliance Report is annexed to the Activity Report.

JCR ER Eurasia Rating evaluated the Corporate Governance practices IHEVA within the scope of CMB regulations and announced this to the public with its press bulletin dated December 28, 2010. In the report, the level of conformance to principles was determined as 7.12 out of 10. As the determined level is over the threshold point of 7, IHEVA has been included in the ISE Corporate Governance Index since December 29, 2010.

We consider the 2010 assessment report of March 25, 2011, prepared by İrfan Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş., an independent auditing firm, regarding the common and sustained transactions carried out with the related parties, according to Article 5 of the Communiqué Serial IV, No: 41 of the Capital Markets Board, concludes that:

The 2010 valuation report of March 25, 2011, prepared by İrfan Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş., an independent auditing firm, regarding the common and sustained transactions carried out with the related parties according to Article 5 of the Communiqué Serial IV, No 41 of the Capital Markets Board, concludes that:

The total volume of sales carried out with İhlas Pazarlama A.Ş. equaled 59,049,424 Turkish lira and the sales had an average maturity term of 186 days and a distributor discount of 6 percent;

The total volume of sales made to domestic third parties (Karanfil Dağ. Tanıtım ve Paz. Tic. Ltd. Şti. ve Bursa Basın Yayın Dağ. Paz. Tic. Ltd. Şti.), which are not considered as related parties, equaled 222,370 Turkish lira and that the sales are made for cash;

The total volume of sales made to overseas third parties, which are not considered as related parties, equaled 11,878,810 Turkish lira, that 5,451,806 Turkish lira of this amount comprised semi-finished products and spare parts which were exported overseas to be used in the manufacturing of finished products, and that the majority of the sales were made for cash;

The comparison of the conditions and unit prices of the sales made to the related party, İhlas Pazarlama A.Ş., with the conditions and unit prices of the sales made to third parties (local and international), which are not considered as related parties, as well as with the profitability rates and data of the previous period's valuation report, has shown that the amounts and conditions of these sales have been fair and reasonable within the market conditions, considering the change in the effective interest rate;

Considering the change in the effective interest rate, the amount, maturity, sum, and unit price of sales made to İhlas Pazarlama A.Ş. are consistent, compared with sales made to unrelated parties.

In 2010, the Company's internal control system was analyzed by our internal auditors and an auditor using the "Internal Control Survey" prepared by our independent auditing company. The Company has requested the auditing firm's recommendation on this matter. Regarding the survey, we declare that all the necessary precautions are taken in the internal control system and attest to its reliability.

We hereby thank you our valuable partners and employees, whose full support and contributions we greatly appreciate.

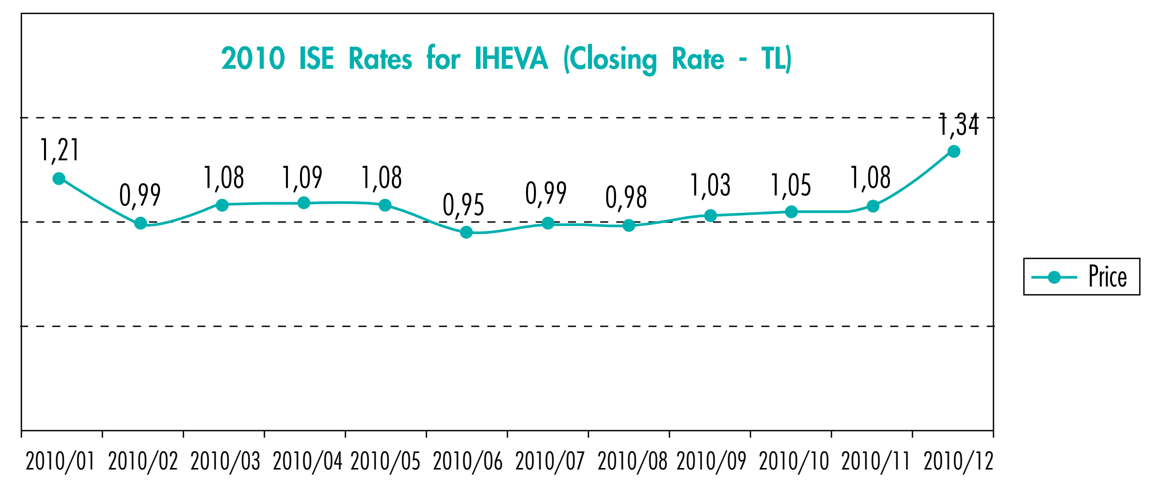
Sincerely yours,

The Board of Directors

Board of Directors Report

January 1 – December 31, 2010 period:	Home Appliances	Energy	Mining (*)	Group Total
Sales Revenues (net)	101.656.058	-	268.535	101.924.593
Sales Costs (-)	(93.224.809)	-	(937.423)	(94.162.232)
Gross Profit/Loss	**8.431.249**	-	**(668.888)**	**7.762.361**
Operational Costs	(7.858.398)	(257.830)	(2.559.725)	(10.675.953)
Other Operational Revenue and Profits	15.225.014	333.600	3.255.436	18.814.050
Other Operational Costs and Losses (-)	(6.379.040)	(65.742)	(6.485.723)	(12.930.505)
Operational Profit/ (Loss)	**9.418.825**	**10.028**	**(6.458.900)**	**2.969.953**
Financing Revenues/ (Expenses), net	2.987.630	(346.944)	(247.326)	2.393.360
Ongoing Operations Profit (Loss) Before Taxes	**12.406.455**	**(336.916)**	**(6.706.226)**	**5.363.313**
Total Assets	**220.720.186**	**5.133**	**68.663.293**	**289.388.612**
Total Liabilities	**45.600.137**	**9.929**	**12.290.917**	**57.900.983**

(*) Okan Tekstil, one of the subsidiaries of the Company, changed its title and area of activity and became Bayındır Madencilik ve Ticaret A.Ş. on April 29, 2010. As its area of activity was also changed according to its title, its activities were reported in this section.



Capital Increases and Dividends

Date	Paid (%)	Unpaid (%)	Dividends (%)	Distribution (%)
14.07.2009	100.0	0.0	0.0	1,2
06.10.2008	65.0	0.0	0.0	1,1
01.11.2007	127.81	0.0	0.0	1,8
24.04.2006	0.0	75.58	0.0	1,8
19.03.2003	200.0	0.0	0.0	1,9
17.06.2002	75.0	75.0	0.0	2,2
21.06.2000	0.0	200.0	0.0	3.0
27.07.1998	0.0	200.0	0.0	3.0
28.08.1997	0.0	200.0	0.0	3.0

About IHEVA

Though founded in 1975, Ihlas Ev Aletleri Imalat Sanayi ve Ticaret A.Ş. (IHEVA) started its manufacturing operations in 1990. Since the company's founding, IHEVA has provided consumers with many small home appliances that focus on human health and basic necessities and that facilitate domestic life, with an effective widespread approach. Having a strong technical staff, the company continues its manufacturing operations at the **Cleaning Robots Plant, the Instant Water Heaters and Reverse Osmosis Plant,** and **the Plastic Injection Mold Facility** within two facilities in a 21,000-square meter enclosed area in the Beylikdüzü Organized Industrial Zone.

Cleaning robots, reverse osmosis water treatment systems, instant water heaters, and electronic scales are among the core products of **IHEVA**. The majority of our sales are door to door sales, rather than direct sales, and these sales have not yet been appraised; therefore, we cannot quote an independent study regarding the industry, and our place in it, in our annual report. However, as a market leader in many of these products, the company meets a significant portion of domestic consumer demand.

The Cleaning Robot, whose manufacturing began in 1996, is the leading product in **IHEVA**'s product range in terms of revenue. Likewise, the water treatment systems that use a reverse osmosis technology lead the market, second to none.

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

IHEVA commenced production of the newly designed Aura QVac carpet cleaning machine and Aura Wdry wet and dry vacuum cleaner in 2010.

All of **IHEVA**'s products are provided to consumers through the sales channels and extensive dealer network of Ihlas Pazarlama A.Ş., putting the focus on customer satisfaction.

Appliances manufactured by **IHEVA** conform to the national and international quality standards of **TSE, SGS, UL, KEMA, KEUR** and **NMI**. Moreover, **IHEVA** appliances are also manufactured in compliance with CE certification, which has become mandatory in Turkey, aiming to protect the health and safety of consumers and the environment. In addition, all **IHEVA** appliances are under warranty for a three year period, even though a legal warranty is for two years.

Always breaking new ground in the industry, **IHEVA** has applied to the **National Science Foundation (NSF)** for quality certification of the Aura Cebilon Reverse Osmosis Water Treatment System. Founded 55 years ago, the **NSF** is an independent, non-profit testing and certification institution that sets standards of potable water 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, demonstrating an outstanding performance in exporting, is active in 34 countries including Kazakhstan, Poland, Hungary, Denmark, Malaysia, Uzbekistan, Saudi Arabia, Russia, Germany, Greece, Italy and South Africa; 46 percent of **IHEVA**'s export sales are in EU countries while 45 percent are in Turkic Republics with 9 percent in other countries.

Listed on the Istanbul Stock Exchange (ISE) since September 26, 1996, **IHEVA**'s stock began trading on the ISE National 100 Index on October 1, 2007. As of year-end 2010, 82.15 percent of **IHEVA**'s capital stock has been open to the public. **IHEVA**'s stock began trading on the ISE National 100 Index on October 1, 2007.

IHEVA placed 292nd on the list of "Second 500 Largest Companies of 2009," prepared by the Istanbul Chamber of Industry. Furthermore, **IHEVA** ranked 5th as a "Small Home Appliances Exporter" on the list of "Top Exporters on a Product Group Basis of 2009," prepared by the Istanbul Electrical, Electronics and Machinery Products Exporters Association and published by the General Secretariat of Istanbul Mineral and Metals Exporters Association (IMMIB).

IHEVA endeavors to be an industrial corporation that fulfills the responsibilities of a 21st century company and that uses modern supply systems and automation in the Company's manufacturing processes. One of the most important targets of the company is to become one of Turkey's leading industrial organizations, with proven customer satisfaction in quality and speed, and one that has made a difference in design, production, marketing, and after sales services.

JCR ER Eurasia Rating evaluated the Corporate Governance practices of **IHEVA** within the scope of CMB regulations and announced this to the public with a press bulletin dated December 28, 2010. In the report, level of conformance to principles was determined as 7.12 out of 10. As the determined level is over the threshold point of 7, **IHEVA** has been included in the ISE Corporate Governance Index since December 29, 2010.

Trademarks and Quality Certificates

İhlas Ev Aletleri

aura

Cebilon | Cleanmax | roboclean | halley | microControl

QVac | Wdry | magneticControl

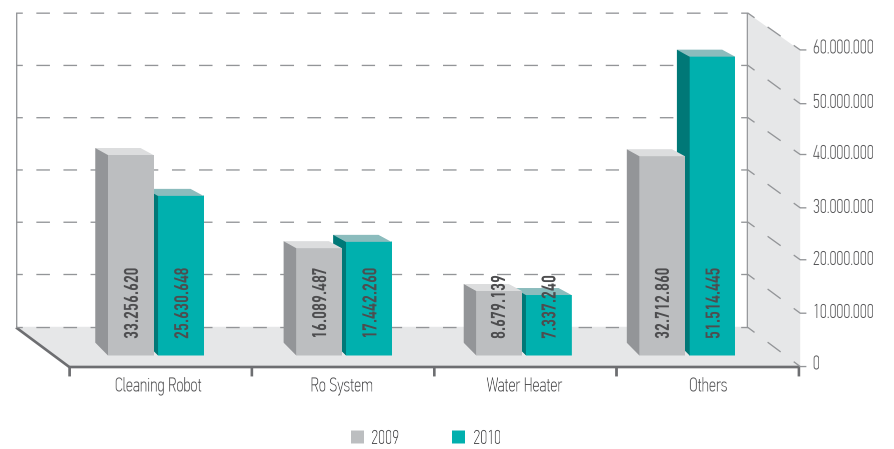
• CLEANING ROBOT • QUARTZ ROOM HEATERS • INSECT PROPELLERS • REVERSE OSMOSIS SYSTEMS
• INFRARED HEATER • ELECTRONIC MARKET SCALE • WATER HEATER (INSTANT WATER HEATERS)
• BUILT-IN PRODUCTS • CARPET CLEANER • WET AND DRY VACUUM CLEANER • ELECTRO REFLEXOLOGY

Financial Highlights

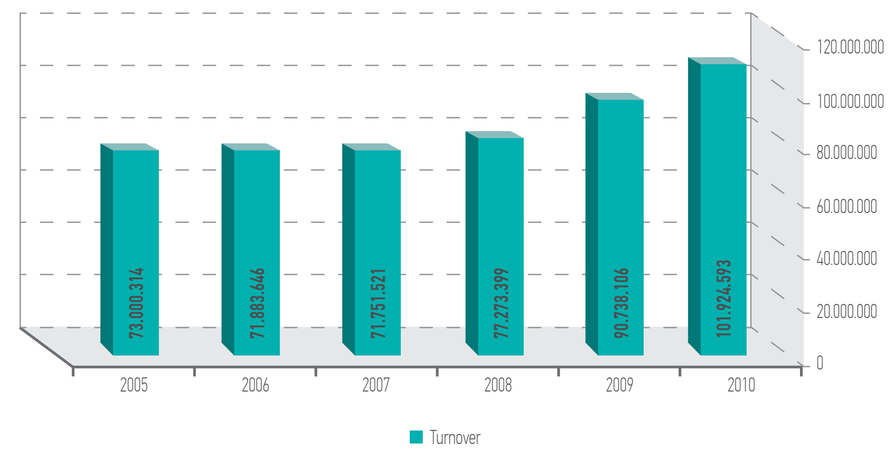
DATA (TL)	2010	2009
Turnover (NET)	101.924.593	90.738.106
Gross Profit	7.762.361	11.318.574
Operating Profit	2.969.953	2.920.950
Reporting Period Profit/(Loss)	5.315.288	(701.973)
Total Assets	289.388.612	289.085.296
Current Assets	171.350.532	174.909.288
Fixed Assets	118.038.080	114.176.008
Short-Term Liabilities	51.436.254	56.600.326
Long-Term Liabilities	6.464.729	8.312.213
Equities	231.487.629	224.172.757

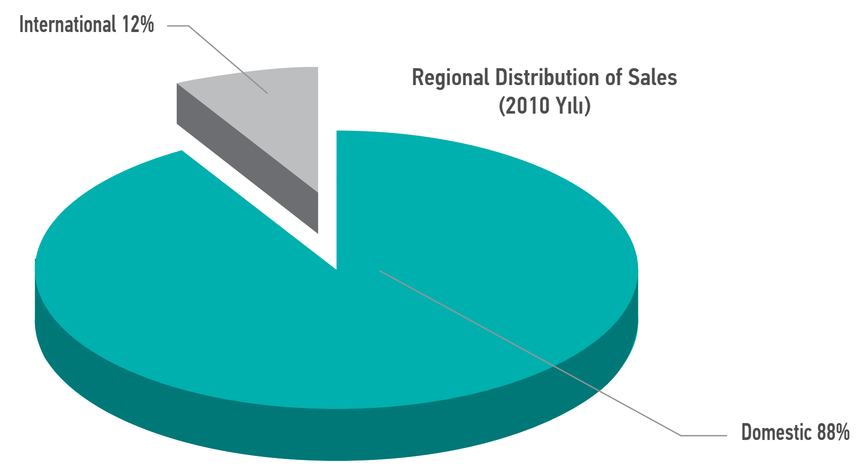
	2010	2009
LIQUIDITY RATIOS (%)		
Current Ratio	3,33	3,09
Liquidity Ratio	2,39	2,25
PROFITABILITY RATIOS		
Gross Profit Margin	0,08	0,12
Operating Profit Margin	0,03	0,03
OPERATING RATIOS (%)		
Average Debt Collection Period	205	214
Stock Turnover	151	115
FINANCIAL RATIOS (%)		
Bank Credit/Total Debt	0,22	0,20
Equity Capital/Total Assets	0,80	0,78
Financial Leverage Ratio	0,20	0,22

Distribution of Sales by Product Group (TL)



Annual Sales (TL)





Regional Distribution of Sales (2010 Yılı)

Technology exists to create treasured memories...

When we think about the many appliances and tools we use each day, we see that we share a great deal of our life with technology.

What we strive to do to make this sharing more meaningful and more enjoyable.

aura

Cebilon

Corporate Governance Principles Compliance Report

In compliance with the Corporate Governance Principles published by the Capital Markets Board (CMB) during the 2010 operating year, ending December 31, 2010, our Company has a five-member Board of Directors with executive and non-executive members and two independent members.

One of the two independent members is the chairman of the Auditing Committee, and the other is the chairman of the Corporate Governance Committee.

The chairman of the Board of Directors is also the general manager and CEO of the Company.

Our Board of Directors consists of three non-executive members (the chairman and two independent members) and two executive members (the general manager and the chief financial officer).

The Corporate Governance Committee focuses on public disclosures, transparency and the organization of the stakeholders and Board of Directors.

Accordingly, the Ethics Principles and Public Disclosure Policy are presented in the relevant section of this compliance report. In accordance with these principles, which are integral to public disclosure and transparency, pertinent information and documents are published in a timely manner on the Company's website.

One person is employed in the Investor Relations unit.

An Internal Auditing Department was established, and internal auditors were hired according to a decision of the Board of Directors and recommendations of the Auditing Committee.

Both nationwide and regional corporate social responsibility projects are evaluated in line with our policy on corporate social responsibility. At the Ihlas Group, our primary principle is based on the maxim, "Valuable people are those who serve others." Accordingly, we perform all of our services for the greater benefit of humanity, irrespective of religion, language, race, gender, or age.

Instances of non-compliance discussed in the report have been identified by the Corporate Governance Committee within the framework of these principles. However, the committee has complied with the majority of these principles, and there are ongoing projects to ensure compliance with all of these principles. No conflicts of interest have resulted from non-compliance with these principles.

Prepared with the results of rating studies conducted by JCR ER Eurasia Rating, the report has evaluated the Corporate Governance Principles Implementation within the scope of CMB regulations and determined the CMB Corporate Governance Principles Compliance Note as 7.12 and its outlook as Positive. Digitized compliance values of the four main divisions were determined as follows:

- 5.77 for shareholders
- 8.11 for Public Disclosure and Transparency
- 6.63 for stakeholders
- 7.36 for the Board of Directors and Executives.

SECTION I - SHAREHOLDERS

1. 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 employs the Company's website for public disclosures.

Contact Information:

Unit Manager: Ahmet İmir

Phone: 0 212 875 35 62 (105)

Fax: 0 212 875 39 87

E-mail: aimir@iea.com.tr

Ahmet İmir was charged with fulfilling obligations stemming from the Capital Market legislation stated in paragraph 1 of Article 8 of the Communiqué on Principles to Be Observed by Anonymous Partnerships Subject to the Capital Market Law of the Capital Market Board Series IV, No:41. He holds the Capital Market Activities Advanced Level License and Corporate Governance Rating Expertise License certificates.

Mailing Address: Mermerciler Sanayi Sitesi 7. Cad. 12 34524 Beylikdüzü, Istanbul

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

2. The Use of Shareholders Rights to Obtain Information

The required statement regarding information requested by shareholders is stated above. Information requests from shareholders are evaluated by the relevant departments, according to law and the Articles of Association.

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.

3. Information on the General Shareholders Meeting

The 2009 Ordinary General Shareholders Meeting of our Company was postponed on March 30, 2010, as the required quorum was not present, but held on Wednesday, April 21, 2010 at 10:30 a.m., at the headquarters of our company.

The invitation to the meeting was announced with a Special Case Disclosure to the ISE on March 30, 2010, and published in issue no. 7331, dated March 31, 2010, of the Turkish Trade Registry Gazette and in the daily newspaper, Türkiye, issue no. 10573, dated April 1, 2010, and in the daily newspaper, Dünya, in issue no. 10573-9095, dated April 1, 2010, according to law and the Articles of Association.

Attendance quorum in Turkish Commercial Code, Article 372, was implemented, with 17.87 percent of stakeholders in attendance at the meeting on April 21, 2010.

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 2009. 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. The Board announces matters requiring a special case disclosure through the ISE, according to CMB legislation.

Although the law requires only a two week notification prior to the meeting, shareholders were notified three weeks beforehand in order to facilitate participation in the General Shareholders Meeting. The relevant announcements were also published on the Company's website.

According to the Turkish Ministry of Industry and Commerce, General Directorate of Domestic Trade, Permit No. 3808, dated July 30, 2008 and CMB Communiqué No. 12478, dated July 25, 2008, a decision was taken at the Extraordinary General Shareholders Meeting, held on July 31, 2008, to insert the following statement in the Articles of Association, Article 6 (Description of Capital Shares): "Moreover, the Board of Directors is authorized to limit the transfer of shares above their nominal value and to limit shareholder rights to buy new shares."

4. Voting Rights and Minority Rights

VOTE: (Turkish Trade Registry Gazette, Issue No.3821, published July 5, 1995)

Article 21: Shareholders or their proxies have one vote for each of the shares they have or represent at the Company's Ordinary and Extraordinary General Shareholders Meetings.

DISALLOWED TO VOTE: (Turkish Trade Registry Gazette, Issue No.3821, published July 5, 1995)

Article 22: Shareholders cannot vote in the meetings on personal cases or circumstances among themselves, their spouses, or relatives of Company employees.

Companies that have mutual ownership may cast their votes through representation provided that these votes lead to shareholder sovereignty; there were no requests to represent minority shares in management. The Articles of Association do not contain any cumulative voting procedures.

5. Profit Distribution Policy and Deadline

The Company's dividend policy is as follows:

• Annual distribution of profits from the previous year and payment of annual dividends are based on a proposal prepared by the Board of Directors and subject to approval at the General Shareholders Meeting.

• The Board of Directors may decide whether distribution of profits, if any, may be proposed according to the amount of dividends according to law to include the Turkish Commercial Code, Capital Markets Law and principle decisions, the Tax Procedure Law, and the Articles of Association; shareholders may accept or reject this proposal at the General Shareholders Meeting.

• If the Board of Directors proposes to distribute the dividends at the General Shareholders Meeting, the basis of this proposal should be explained to the shareholders and also included in the annual report.

• The Company's profit distribution policy is included in the annual report and disclosed to the public on the Company's website.

Privileges are not granted that allow participating in the Company's decisions as described in the Articles of Association as follows:

PROFIT DISTRIBUTION : (Turkish Trade Registry Gazette, Issue No.4720, published January 29, 1999)

Article 29: Upon deducting the Company's common expenses and mandatory expenses such as various depreciations calculated at the end of the fiscal year, the remaining net profit shown on the annual balance sheet is distributed as follows:

Legal Reserves:

a. 5 percent is set aside as legal reserves. (Turkish Commercial Law, Article 466/1)

Financial Liabilities:

b. The amount for the current legal entity taxes for the Company is set aside.

Primary Dividend:

c. The primary dividends at a rate and an amount determined by the CMB are set aside from the remaining sum.

Secondary Dividends:

d. After the items in paragraphs a, b, and c above are deducted from the net profits, the General Shareholders Meeting is authorized to distribute all or part of the remaining sum as secondary dividends or recognize this sum on the balance sheet as end-of-quarter profits. (Turkish Commercial Code, Article 466/3 reserved.)

e. 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.

DEADLINE FOR PROFIT DISTRIBUTION: (Turkish Trade Registry Gazette, Issue No.4359, published August 21, 1997)

Article 30: Upon receiving the proposal from the Board of Directors, a decision is taken at the General Shareholders Meeting as to when and how profits will be distributed to shareholders. When distributing profits to shareholders, the Capital Markets Law applies.

Profits will be distributed within the legal timeframe.

6. Transfer of Shares

Transfer of shares is described in the Company's Articles of Association as follows:

TRANSFER OF SHARES: (Turkish Trade Registry Gazette, Issue No.3821, published July 5, 1995)

Article 8:

In order for shares registered to shareholders to be transferred, the founding shareholders are given the option to buy the shares at their current value; if none of the founding shareholders buys the shares within a month, the shares may be sold to a third party. Any appropriation made to the contrary is invalid and will not be registered in the share ledger.

The items included in Article 8 apply in instances of pledging, seizure, or other similar rights pertinent to the shares. Preferential rights in Article 8 are reserved in the event of foreclosure sales. If these preferential rights are infringed, the administration commission is authorized to register the sale and transfer or transfer the rights to the share ledger.

However, the shares to be sold, transferred or inherited obligatorily due to seizures, foreclosures, inheritances, or the rights of others in kind arising from the application of Turkish laws, are first offered to founding shareholders at the current market value. If no response is given to the offer within 30 days, the shares may be sold to third parties.

SECTION II – PUBLIC DISCLOSURE AND TRANSPARENCY

7. Company Information Disclosure Policy

Objective:

The objective of Ihlas Ev Aletleri İmalat San. ve Tic. A.Ş. (IHEVA) is to pursue a transparent and effective disclosure policy to inform shareholders in a simultaneous, complete, transparent, and accurate manner, according to related laws and the CMB Corporate Governance Principles. All information that is not within the purview of trade secrets must be disclosed to the public by law. The objective of the disclosure policy is to share the Company's past performance, future expectations, strategies, targets and vision (not pertaining to trade secrets) with the public, related authorized entities, existing and potential investors, and shareholders through active and open communications.

In all the public disclosures, IHEVA complies with the CMB legislation and all ISE regulations. Moreover, IHEVA aims to implement the most effective communications policy according to the CMB Corporate Governance Principles.

Authority and Responsibilities:

IHEVA's Disclosure Policy has been established by the Board of Directors. At IHEVA, the pursuance, observance and development of the public disclosure policy is under the authority and responsibility of the Board of Directors, which has appointed the executive director of Investor Relations and Financial Affairs for the coordination of the disclosure function. Authorized persons fulfill their responsibilities in close cooperation with the Corporate Governance Committee, Auditing Committee, and Board of Directors.

Methods and Tools:

Information disclosures are made through various tools, such as material events disclosures, financial statements and reports, annual reports, Company website, presentations, investor meetings and information notes, and press releases. The key public disclosure methods and tools are as follows:

• Disclosures of material events forwarded to the ISE and international stock exchange markets where the Company is listed;

• Financial statements and their footnotes, independent audit reports and declarations periodically forwarded to the ISE and international stock exchanges where the Company is listed (These reports are also available on the Company's website, if desired. Annual reports and financial statements are periodically disclosed both in print and in electronic environments through the Company's website.);

• Annual reports (These reports are presented to the related parties both in print and in electronic environments through the Company's website.);

• Corporate website(http://www.iea.com.tr);

• Notices and announcements through the Turkish Trade Register Gazette and national and local newspapers with high circulation, if necessary;

• Press releases issued on important developments occurring throughout the year through print and visual media;

• Meetings and contacts with investors and analysts, either face-to-face or through telephone, electronic mail, fax, etcetera; and

• Disclosures made to data distribution organizations.

Material Events Disclosures:

IHEVA's material events disclosures are prepared by the Investor Relations unit, under the supervision of the executive director of Financial Affairs. The disclosures are signed by signatory executives and announced according to CMB and ISE regulations.

The Company takes the following measures to ensure the confidentiality of this information until the material events are disclosed to the public:

The Company places great importance on all company employees adhering to the rules on the use of insider information in order to ensure that the balance between transparency and protection of the Company's interests is maintained. Various types of measures are taken to prevent the illegal use of insider information. Documented and disseminated throughout the organization, the "Rules of Ethics" expressly state the code of conduct that must be adopted by IHEVA employees in their business life.

Information that may be classified as trade secrets, which is acquired during the employment term and belongs to the Company, whose policy precludes anyone other than authorized parties to have knowledge of this information, is classified as "Company Information." All employees protect and do not use, either directly or indirectly, company information during and beyond their employment periods.

Confirmation of News or Rumors:

If any news or rumors from media organizations contain any information that has already been made public in material events disclosures, registration statements, circulars, announcements approved by the Board of Directors, and financial statements, and that does not provide any additional information, a material events disclosure is not required.

On the other hand, though the related official information may not require a material events disclosure, should the Company request an explanation of the news or rumor in question, this matter is brought forward by the executive director of Financial Affairs and made public through a material events disclosure.

If the news or rumor in question contain any issue that requires a material events disclosure according to the related official information, diligent attention is given to forwarding the required disclosure to the related stock exchange before the start of the opening session, no later than 09.00 a.m., without waiting for a warning, statement or request from the Board of Directors or the related stock exchange, to ensure the uninterrupted continuity of market transactions and sessions.

Public Disclosure of Financial Statements:

The financial statements of IHEVA are prepared according to the provisions specified by the CMB and disclosed to the public after having been audited independently according to the International Standards of Auditing (ISA). Before public disclosure, financial statements and their footnotes are submitted to the Board of Directors for approval with assent obtained from the Auditing Committee according to the Capital Markets Law. After the authorized persons have signed the accuracy statement, then the financial statements and their footnotes and the independent auditing report are sent to the ISE according to the Capital Markets Law and ISE regulations. The financial statements and their footnotes are retroactively accessible on the Investor page of IHEVA's

Technology
exists to turn a “house” into a “home”…

For us, technology is not just the sum of the appliances in our houses; but to ensure that those appliances add warmth, authenticity and peace into the home…

microControl

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Corporate Governance Principles Compliance Report

website. Moreover, the Investor Relations unit prepares periodic presentations on information notes or financial data and ratios, and places them on the corporate website to ensure a better understanding of financial affairs.

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 approval to the Board of Directors. The annual report is made public on the corporate website. Capital markets participants may obtain the printed version of the annual report in Turkish or English from the Investor Relations unit, if requested.

Appointment of Employees with Administrative Responsibility:

Employees with access to internal information are given administrative responsibility according to the scope of the information.

However, managers and other staff members with detailed information on the Company's business activities in part and restricted information in whole are not considered employees with access to internal information as noted above.

However, members of the Board of Directors, the general manager, some of the department directors, and most top managers working in the headquarters, who have both detailed information on current business affairs and also on future plans are considered employees having access to internal information.

A list of employees is prepared in line with these criteria and sent to the Capital Markets Board and the related stock exchanges, if requested, according to the applicable CMB communiqué.

The Company Web Site and Contents:

All mandatory information in the Company's corporate governance principles may be accessed on the Corporate, Human Resources, and Investor pages on IHEVA's website. Most of the information on the website is both in Turkish and English.

The main content of the website is as follows:

- Corporate Profile
- History
- Mission & Vision
- Quality Management
- Human Resources Policy
- Annual Reports
- Company Information Disclosure Policy
- Profit Distribution Policy
- Ethics Rules
- Corporate Social Responsibility
- List of Employees with Access to Internal Information
- Operations of Company Insiders
- Corporate Governance Principles Compliance Report
- Partnership Structure
- Preferred Shares
- Subsidiaries and Affiliates
- Board of Directors and Committees
- Senior Management
- Organization Chart
- General Shareholders Meeting
- Financial Information
- Material Events Disclosures
- Frequently Asked Questions
- Presentations
- Share Performance
- Articles of Association
- Articles of Association
- Representation
- Public Offering Circulars
- Share Information

Notices and Announcements through the Turkish Trade Registry Gazette and Daily Newspapers:

According to the Capital Markets Law, Turkish Commercial Code and the Articles of Association, the announcements of the General Shareholders Meetings, capital increases, and dividend payments are announced through the Turkish Trade Registry Gazette as well as through daily newspapers.

Questions or information requests in writing from the media on various developments and on general business affairs are reviewed and given either positive or negative responses.

Meetings and Contacts with Investors and Analysts:

An Investor Relations unit has been established at IHEVA to maintain well-organized relations with both existing and potential shareholders, to answer investors' questions productively, and to work for the improvement of corporate values. Relations with shareholders are managed by this unit in coordination with the executive director of Financial Affairs.

The shareholders and the analysts may also closely follow developments at IHEVA through the website regularly updated by the Investor Relations Unit and the information notes disseminated to the shareholder via Internet.

Disclosures on Anticipatory Declarations:

Authorities of Ihlas Holding A.Ş. or IHEVA may release anticipatory declarations from time to time on information disclosure policies. The anticipatory declarations in written documents of the Company are released according to certain assumptions; therefore, investors must be advised that realized results may differ significantly from expected results in anticipatory declarations due to risks, uncertainties, and other factors.

8. Material Events Disclosures

In accordance with CMB regulations, the Company issued 16 material events disclosures during the 2010 operating period, while the CMB did not request any additional disclosure statements.

The Company's shares are not traded on foreign stock exchanges.

The CMB did not impose any sanctions for failure to disclose material events on time.

9. The Company Web Site and Its Contents

The Company's website is www.iea.com.tr.

In addition to commercial and promotional information, the website includes all the information mentioned in the CMB Corporate Governance Principles, Section II, and Article 1.11.5.

10. Disclosure of the Company's Controlling Individual Shareholder or Shareholders (Beneficial Ownership)

The information about the Company's controlling individual shareholder or shareholders determined after eliminating the effects of indirect and mutual ownership is not disclosed to the public; however, this information has been announced in relevant articles of registration statements issued to the CMB for capital increases.

As of December 31, 2010, the status of real and legal entities owning shares in the Company indirectly is as follows:

Shareholder	Share (%)	Share Amount (TL)
Ihlas Pazarlama Yatırım Holding A.Ş.	17,60	33.681.000
Open to the Public	82,15	157.205.723
Other	0,25	483.278
TOTAL	**100**	**191.370.001**

Indirect Shareholder (*)	Share (%)	Share Amount (TL)
Ihlas Pazarlama A.Ş.	10,56	20.208.600
Ihlas Holding A.Ş.	6,51	12.461.969,95
Other	0,53	1.190.780
TOTAL	**17,60**	**33.681.000**

Individual Shareholder	Share (%)	Share Amount (TL)
Ihlas Holding A.Ş.	16,88	32.302.834
Open to the Public	82,15	157.205.723
Other	0,97	1.861.444
TOTAL	**100**	**191.370.001**

Our company had signed an options contract with Lehman Brothers Finance S.A., and within the scope of this contract, a lot of 8 million shares of Ihlas Holding A.Ş. in the portfolio of our Company were given as collateral.

We determined that Lehman Brothers Holding Inc-New York had filed for bankruptcy and that Lehman Brothers Finance S.A., with whom our Company had signed the options contract, was in a state of insolvency.

Accordingly, Ihlas Holding A.Ş. officially initiated the process for the return of the lot of 8 million Ihlas Holding A.Ş. shares issued to Lehman Brothers Finance S.A. as a collateral deposit on November 28, 2008.

In the hearing dated April 22, 2010, of the lawsuit filed for the return of this lot of 8 million Ihlas Holding A.Ş. shares given as collateral as part of the an options contract with Lehman Brothers Finance S.A., it was unanimously decided to accept the lawsuit and to take a lot of 8 million extrajudicial Ihlas Holding A.Ş. shares subject to the lawsuit from the defendant (Lehman Brother Finance S.A.) and return them to the claimant (Ihlas Ev Aletleri), as it was understood that the defendant will not be able to fulfill its obligations stemming from the contract. It was also decided to continue the decision of temporary injunction until finalization of the verdict, subject to appeal to the Supreme Court.

Parent Company Ihlas Holding A.Ş. declared on the material events disclosure dated July 22, 2010, that it decided during the Board of Directors meeting dated July 20, 2010, to sell 17.60 percent of shares owned in Ihlas Ev Aletleri İmalat San. ve Tic. A.Ş., with a nominal value of 33,681,000 TL, to Ihlas Pazarlama Yatırım Holding A.Ş with a price of 1.05 TL for one share, for a total price of 35,365,050 TL, out of the stock exchange.

11. Disclosure of Company Insiders

The list of individuals who are classified as insiders is not disclosed to the public. According to the Auditing Committee and the Articles of Association, the list of individuals classified as insiders is as follows:

Name Surname	Title
Abdullah Turalı	CBD, Member of the Auditing and Corporate Governance Committees
Sedat Kurucan	VCBD, General Manager
Mehmet Küsmez	MBD, Chief Financial Officer
Yasin Yılmaz	IMBD, Chairman of the Auditing Committee
Ümit Güney	IMBD, Chairman of the Corporate Governance Committee
Mahmut Kemal Aydın	Main Partnership Financial Affairs Coordinator
Ali Tubay Gölbaşı	Main Partnership Finance Coordinator
Ömer Şaban Kamber	R&D Director
Bülent Kaya	Sourcing Director
Erkan Adıgüzel	Operation Director
Mustafa Salih Yazıcı	Human Resources Representative
Metin Cahit Koyu	IT Director
Uğur Kurt	Member of the Strategic Planning and Corporate Governance Committee
Ahmet İmir	Investor Relations Unit Director
Mehmet Ercan Akgün	Internal Auditing Manager
Turgut Sayar	Controller
Muhammet Muammer Gürbüz	Affiliate General Manager
Abdullah Tuğcu	Affiliate Financial Affairs Manager
Zafer Karslıoğlu	Lawyer
Salim Akgül	İrfan YMM A.Ş. Responsible Partner, Lead Auditor
Şükrü Yavuz	Pür Bağımsız Denetim, Responsible Partner, Lead Auditor
Hüseyin Perviz Pür	Pür Bağımsız Denetim, Responsible Partner, Lead Auditor

Adı soyadı	Title
Ercan Çardak	Pür Bağımsız Denetim, Lead Auditor
Uğur Yıldırım	Pür Bağımsız Denetim, Lead Auditor
Nilgün Karataş	Pür Bağımsız Denetim, Auditor
Şeref Özçelik	Pür Bağımsız Denetim, Auditor
Faruk Çardak	Pür Bağımsız Denetim, Assistant Auditor
Funda Songül Mantarcı	Pür Bağımsız Denetim, Assistant Auditor
Mustafa Tunca	Pür Bağımsız Denetim, Assistant Auditor
Özkan Yavuz	Pür Bağımsız Denetim, Assistant Auditor
Şükrü Fehim Demiray	Board of Directors Secretariat
Şevket Güleç	JCR Avrasya Derecelendirme A.Ş. Rating Committee Member

CBD : Chairman of the Board of Directors VCBD : Vice-Chairman of the Board of Directors MBD : Member of the Board of Directors IMBD : Independent Member of the Board of Directors

12. Notifying Stakeholders

Stakeholders of the Company will be notified of relevant issues if requested, according to law and the Articles of Association.

Accordingly, employees, suppliers, dealers, and after sales technical service employees are notified of relevant issues regularly and frequently through training seminars and newsletters, all of which contribute to establishing synergy within the organization.

The rights of the Company stakeholders are preserved according to law and relevant contracts.

13. Participation of Stakeholders in Management

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

We anticipate establishing models that encourage the participation of stakeholders (who are primarily the employees of the Company) in management without interfering with the Company's operations. As a start, we have taken steps towards the effective involvement of employees in management by providing them with training seminars. These seminars are conducted by experts on topics that include learning about the organization, developing learning skills, dealing with change, human relations, and business, among others. Our vocational education activities for employees are ongoing.

14. Human Resources Policy

Based on the belief that investment in people is always rewarded, our Company's human resources policy is 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;
- Showing no discrimination among employees and preventing maltreatment of employees.

As part of our human resources policy, Mr. Mustafa Salih Yazıcı acts as the Human Resources Representative, to manage 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 (warning, condemnation, discharge, etc.) and including them in the guidelines. This study has been incorporated into the Company Quality Manual and put it into force as from the date of decision.

15. Information on Relations with Customers and Suppliers

Our Company is obliged to take any measure to fulfill customer satisfaction in the marketing of goods and services.

Accordingly,

- Suggestions and complaints from end consumers, relevant non-government organizations, or public organizations are prioritized on our agenda while solutions for customer satisfaction are created for goods and services purchased by consumers.

Technology exists to bring a smile to a child's face...

For us, technology is the friendly relationship we establish with each appliance and tool we use.

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Corporate Governance Principles Compliance Report

• Our products comply with international and national quality standards according to TSE, KEMA, KEUR, and UL, among others. Bearing the CE symbol that certifies compliance with mandatory health, safety, environmental, and consumer protection laws, our products are offered to consumers as safe-to-use products that are not harmful to human health and safety, plants, animals, and the environment, if used for relevant purposes.

• Necessary precautions are taken in inter-company procedures to prevent products that are below standard from passing through our manufacturing process and quality control system; and to compensate and repair goods and services that are below standard. Furthermore, we have implemented joint measures with suppliers to ensure that their suppliers comply with these standards.

• Moreover, goods and services that fall below standard, despite all precautionary measures, are repaired and recompensed. Hence, although the legal warranty calls for a two-year period, all of our appliances are under warranty for three years.

16. Corporate Social Responsibility

Our Company complies with laws and regulations pertaining to public health, the environment, the consumer, and ethical principles 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.

Our Company signed a packaging waste utilization contract with Mercantile Establishment of Consumer and Environmental Education Foundation (TÜKÇEV) to promote a more efficient environmental responsibility according to the Packaging Waste Regulation. The obligations of TÜKÇEV per the contract are as follows:

• TÜKÇEV will inform the Company on regulations and legislations published by the Republic of Turkey Ministry of Environment and Forestry, and legislation and studies in the European Union and other developed countries with regard to environmental issues and packaging waste.

• TÜKÇEV will use the revenue obtained from contracts with companies to raise public awareness about decreasing package waste at its source; collecting, recovering and recycling packaging waste; environmental issues; and developing environmental sensitivity. It will also use that revenue to develop projects and carry out training activities regarding recovery. The Company will be informed of all activities.

• According to provisions in the regulation, TÜKÇEV will document for the Republic of Turkey Ministry of Environment and Forestry, on behalf of the Contract party company, that the type and amount of the material agreed upon with the Company has been collected, recycled and recovered within the scope of the regulation regarding packaging waste recovery obligations of the Company.

• TÜKÇEV will work with companies that have obtained an environmental license or temporary operation permit from Republic of Turkey Ministry of Environment and Forestry for the mentioned services.

• As of the end of term, TÜKÇEV will submit documentation on the recovery obligation of the Company to the Republic of Turkey Ministry of Environment and Forestry on behalf of the Contractor party company.

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

SECTIOIN IV – BOARD OF DIRECTORS

17. The Structure and Composition of the Board of Directors and Independent Members

Name Surname	Title
Abdullah Turalı	CBD, Member of the Auditing Committee
Sedat Kurucan	VCBD, General Manager (Executive Member)
Mehmet Küsmez	MBD, Chief Financial Officer (Executive Member)
Yasin Yılmaz	IMBD, Chairman of the Auditing Committee
Ümit Güney	IMBD, Chairman of the Corporate Governance Committee

CBD : Chairman of the Board of Directors VCBD : Vice-Chairman of the Board of Directors MBD : Member of the Board of Directors IMBD : Independent Member of the Board of Directors

As stated above, our Company's Board of Directors includes executive and non-executive members; more than half of the members are non-executives. Moreover, the chairman of the Board of Directors is not the general manager. In addition, our five-member Board of Directors consists of two independent members. The independence statements of the independent members of the Board of Directors are as follows:

STATEMENT OF INDEPENDENCE

• Neither I, my spouse, nor any of my relatives, by blood or marriage (twice removed), have had any direct or indirect interest relations with Ihlas Ev Aletleri Imalat San. Tic.

A.Ş. (company) or its subsidiary Ihlas Holding A.Ş. and group companies, in the last two years.

• I have not partaken in the independent auditing process at any time during the previous two years.

I hereby declare that I have been independent according to law, the Articles of Association, and the CMB Corporate Governance Principles.

Yasin Yılmaz

STATEMENT OF INDEPENDENCE

• Neither I, my spouse, nor any of my relatives, by blood or marriage (twice removed), have had any direct or indirect interest relations with Ihlas Ev Aletleri Imalat San. Tic.

A.Ş. (company) or its subsidiary Ihlas Holding A.Ş. and group companies, in the last two years.

• I have not partaken in the independent auditing process at any time during the previous two years.

I hereby declare that I have been independent according to law, the Articles of Association, and the CMB Corporate Governance Principles.

Ümit Güney

There were no circumstances in the 2010 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 other additional restrictions.

18. Qualification of Members of the Board of Directors

The minimum qualifications required for the election of the Company's members of the Board of Directors are not regulated in the Articles of Association. Nonetheless, according to the qualifications stated in the CMB Corporate Governance Principles, Section IV, Articles 3.1.1, 3.1.2, and 3.1.5, skilled individuals who have a high level of knowledge, competence, and a certain level of experience and who have not been convicted of any corporate crimes and are knowledgeable of the Company's areas of activity and management, preferably with a higher education degree, may be elected to the Board of Directors. All of our board members possess these minimum qualifications.

19. The Mission, Vision, and Strategic Goals of the Company

The mission and vision of the Company are declared to the public on our website and in our activity reports.

Our Vision

Our vision is to establish human resources equipped with knowledge, technology, and vision, who stay abreast of developments and innovations, and take advantage of opportunities, and create an organization with know-how in providing services and products, such as home appliances.

Our Mission

Our mission is to become a global company by expanding our prestige in supplying products, such as home appliances and services, throughout the world and through customer satisfaction-focused activities, thus providing less expensive, faster, and higher quality products and services that improve the quality of life.

Strategic Targets

The Company's Board of Directors approves strategic targets set by managers. Strategic goals are established by managers in each of the relevant departments, discussed and evaluated by all departmental managers at the general directorate, then finalized to present to the Board of Directors and implemented upon the Board's approval.

The Board of Directors regularly reviews whether the Company is meeting the goals and evaluates past performances and activities.

20. Internal Control and Risk Management Mechanism

The Company's Board of Directors has authorized the Auditing Committee to establish the relevant department to prepare the necessary actions and procedures regarding risk management and the internal control system.

Mehmet Ercan Akgün has been appointed as the Internal Auditing department manager according to the Auditing Committee's recommendations and a decision of the Board of Directors, dated December 1, 2006.

Management of various types of risk has gained a significant amount of importance in today's competitive global economy. The government, shareholders, customers, and society expect a reliable and effective control process from businesses.

The Company team, established by the Auditing Committee, will be organized as such to identify significant risks facing the Company, to develop solutions for these risks, and to provide the necessary support crucial to pinpointing opportunities needed to grow and develop in order to meet the risk management expectations of stakeholders and to turn risks into opportunities for the organization.

21. Authority and Responsibilities of the Members of the Board of

Corporate Governance Principles Compliance Report

Directors and Executives

The authority and responsibilities of the board members and Company executives are established by law, ethical principles, and Company procedures; however, they are not specifically regulated in the Company's Articles of Association.

22. Principles of the Activities of the Board of Directors

Matters regarding manner and frequency of Board of Directors meetings, meeting and decision quorum, method of objecting to Board decisions and validity of Board decisions are carried out within the framework of Turkish Code of Commerce, Article 330 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 matters 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 upon emergence of extraordinary conditions and to take decisions about 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 board member 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 to 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 and the acting chairman and appointing new members;
- Establishing or terminating administrative units,
- Appointing or dismissing the chief executive officer/general manager,
- Establishing committees; and
- Determining the dividend policy of the Company and the term profit amount to be paid.
- Capital increase or decrease.

All Members of the Board of Directors, including the Chairman, have one vote and no member has a weighed vote right.

23. Prohibition from Engaging in Transactions and Competing with the Company

No prohibition of carrying out transactions with the Company and prohibition of competing with the Company were implemented during the 2010 operating period; moreover, no conflicts of interest stemmed from this.

24. Code of Ethics

Our Board of Directors proposes that the Company must show that capital markets are reliable above all else; thus, rules of ethics are extremely important. However, the precedence of the law, 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; and
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 insiders must maintain the confidentiality of information included in financial statements not disclosed to the public according to the principles 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's 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 profitability and market shares;
- 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 for 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; and
- Are obliged to decline gifts from existing or potential customers and suppliers, aside from 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 Accordance with Ethical Principles

- The employees must take the requisite measures to prevent the violation of Ethical Principles in any way.
- The employees must report any situation where they suspect that violation of ethical principles has occurred to executives or the Internal Auditing Manager.
- The Internal Auditing Department ensures accordance with Ethical Principles, policies and procedures of the Company in cooperation with the Legal (or Company Lawyers), Accounting-Finance, Human Resources and other departments.
- The Internal Auditing Manager reports directly to the Audit Committee and offers independent opinion.

Sanctions to Be Enforced In Case of Violation of Ethical Principles

As investigating a violation of Ethical Principles 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 e-mail 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 organization. Applicant information is kept confidential. Applications are first evaluated in the Audit Committee, then the required sanctions are enforced and the result is communicated to the applicant.

Disciplinary Penalties

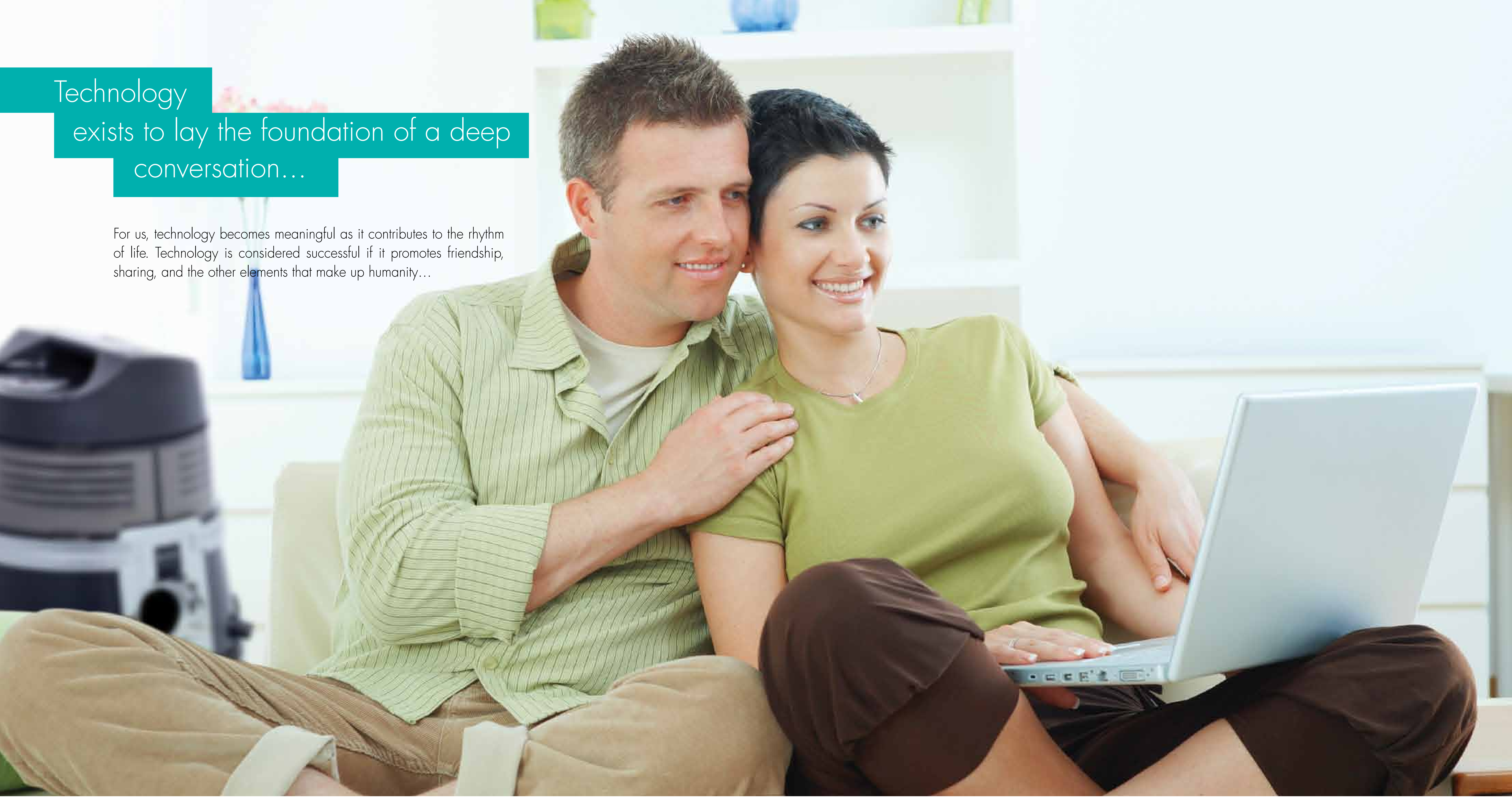
- In case of violation of Ethical Principles, our Company will make an effort to determine the most appropriate disciplinary penalty for the violation, within the framework of the Personnel Guidelines.
- Generally, a warning letter will be sent for a first-time and non-indictable offense.
- With more serious violations, penalties, such as issuing a written warning and termination of the employment contract, may be considered.
- Disciplinary penalties are not restricted only to cases of violation of ethical principles. There are also penalties for other matters; these are included in the Personnel Guidelines.

25. Number, Structure, and Independence of 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 other members are non-executive members of the Board.
- The Auditing Committee met four times during the 2010 operating period and the proposal decision from these meetings was adopted by the Board of Directors.
- The rationale behind one board member having a role in more than one committee is that there are two committees and three non-executive members, of which two are independent and chairmen of the committees. Since it was proposed that the other member be a non-executive member, the remaining non-executive member was appointed as a member of both committees.

26. Remuneration of the Board of Directors

- The members of the Board of Directors do not receive any additional remuneration other than the rights and benefits set by the General Shareholders Meeting.
- No performance-based payment system that reflects the Company's performance exists.
- The Company does not lend money to any member of the board or the managers nor does the Company provide them with 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.



Technology exists to lay the foundation of a deep conversation…

For us, technology becomes meaningful as it contributes to the rhythm of life. Technology is considered successful if it promotes friendship, sharing, and the other elements that make up humanity…

Wdry

aura

Proposal regarding 2010 Profit Distribution

I. As a result of our Company's activities in 2010,

a. In the financial statements prepared according to legal records, a reporting period profit of 5,427,038.00 Turkish lira occurred; after deducting taxes and legal obligations (1,245,391.93 Turkish lira), a net reporting period profit of 4,181,646.07 Turkish lira remained,

b. In the consolidated financial tables prepared according to provisions of Communiqué Series: XI No: 29 of CMB, a reporting period profit of 9,265,657.00 Turkish lira occurred; after deducting taxes and legal obligations (48,025.00 Turkish lira), a net reporting period profit of 9,217,631.00 Turkish lira remained. After deducting losses from the previous year (5,874,327.00 Turkish lira) and allocating First Issue Legal Reserve (209,082.30 Turkish lira) from the net reporting period profit, a net distributable reporting period profit of 3,134,222.70 Turkish lira remained.

II. Pursuant to the Legislation, Board Resolutions and the profit distribution policies of our Company announced to the public, we decided to propose the following actions in the General Assembly;

a. Allocating 3,972,563.77 Turkish lira, remaining after deducting the First Issue Legal Reserve of 209,082.30 Turkish lira from the net reporting period profit of 4,181,646.06 Turkish lira, to Extraordinary Reserves,

b. Making no profit distribution related to 2010 results.

İhlas
Ev Aletleri

Board of Directors

2010 Fiscal Year Auditors Report

To IHLAS EV ALETLERI IMALAT SAN.TIC.A.Ş. General Assembly

Title	Ihlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.
Headquarters	Istanbul
Capital	Registered Capital : 250,000,000.00 Turkish lira
	Issued Capital : 191,370,001.38 Turkish lira
Area of Activity	Manufacturing of Electric Home Appliances
Auditors: name, term, partnership status	This is on 2009 report: Turgut Sayar, auditor of accounts; elected at the 2006Ordinary General Shareholders Meeting for a three-year term; not partner.
Number of Board of Auditors and Board of Directors meetings attended	Attended 10 Board of Directors meetings and examined the decisions of the Board of Directors; held four Auditing Board meetings.
Scope of association accounts, books, and records audits; the date they were conducted; and the results	Audits conducted quarterly on legal books and documents revealed that records complied with documents and accounting standards.
Number of counts performed at the association cashier's desk as per the Turkish Commercial Code 353, Sections 1-3 and the results	A total of four cash counts were performed; the amount of cash was in line with the records.
Dates of inspections performed as per the Turkish Commercial Code 353, Sections 1-4, and the results	Company records were inspected monthly; the availability of relevant assets was in compliance with the records.
Complaint and fraud notifications and the procedures followed regarding these notifications	No complaints or fraud notifications received.

I have inspected the account transactions of Ihlas Ev Aletleri A.Ş. for the period, January 1, 2010, to December 31, 2010, for compliance with accepted accounting standards and principles according to the Turkish Commercial Code, the Partner Principles Contract, and other applicable legislation. In my opinion, the attached balance sheet, prepared as of December 31, 2010, whose contents I have examined, reflects the actual standing of the Company during the period stated and the Income Statement for the period, January 1, 2010, to December 31, 2010, which I have also examined, reflects the actual operating results for this same period. The profit distribution proposal complies with the law and the Articles of Association.

I hereby submit the Income Statement to the Board of Directors to be voted on for approval.

Auditor

Turgut Sayar

Technology exists to make life more enjoyable…

For us, technology must touch all aspects of our lives. It should not only make our life easier to live, but also turn our lives into a joyful journey.







Technology exists for Ihlas Ev Aletleri…

We don't consider technology a simple technical advancement. We believe that technology must make life easier, more joyful, more beautiful, and more vital.

That is why we, as Ihlas Ev Aletleri, have and will continue to manufacture with the same sensitivity, thrill and energy - for many more years.




Independent Auditors Report on The Status of The Internal Control System, 2010

PÜR BAĞIMSIZ DENETİM YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.
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INDEPENDENT AUDITORS REPORT ON THE STATUS OF THE INTERNAL CONTROL SYSTEM OF IHLAS EV ALETLERI IMALAT SANAYI ve TICARET ANONIM ŞIRKETI, AS OF DECEMBER 31, 2010

We have examined the period, January 1, 2010, to December 31, 2010, in line with the minimum procedures according to the Corporate Governance Principles, Section II ("Public Disclosure and Transparency"), Article 3.2.2., paragraph (e), approved and disclosed by the Capital Markets Board on July 4, 2003.

In our opinion, the analytic inspections we conducted and other methods and techniques we have used revealed that the internal control system complies with the minimum principles and procedures according to the Corporate Governance Principles, Section II (Public Disclosure and Transparency), Article 3.2.2., paragraph (e).

This opinion has been submitted as information to be used only by the Capital Markets Board and Ihlas Ev Aletleri Imalat San. ve Tic. A.Ş. and may not be used for any other purposes.

Istanbul,February23, 2010

Fully Independent Auditing

Yeminli Mali Müşavirlik A.Ş.

Şükrü YAVUZ

Lead Auditor, Responsible Partner

Independent Auditors Report January 1, 2010 - December 31, 2010 Fiscal Year

PÜR BAĞIMSIZ DENETİM YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.
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INDEPENDENT AUDITORS REPORT OF IHLAS EV ALETLERI IMALAT SANAYI VE TICARET A.Ş.

FOR THE JANUARY 1, 2010 – DECEMBER 31, 2010 FISCAL YEAR

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

We have examined the attached summary of the material accounting policies, consolidated cash flow chart, consolidated statement of changes in equity, consolidated statement of comprehensive income, the consolidated financial statements, and footnotes of IHLAS EV ALETLERI IMALAT SANAYI VE TICARET A.Ş. ("Company" or "Group") for the fiscal year ending on December 31, 2010.

Company Executives' Responsibilities Regarding the Financial Statements

The Company's executives are responsible for ensuring that the financial statements are prepared according to the financial reporting standards published by the Capital Markets Board (CMB) 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 the financial statements are complete and correct.

Responsibilities of the Independent Auditing Firm

We are obliged to provide opinions on these financial statements based on the independent audit we conducted. Our independent audit complies with the independent auditing standards published by the CMB. 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 employs independent auditing techniques to substantiate the amounts reflected in the financial statements and the footnotes. The independent auditing techniques 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 considerationHowever, 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 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 the independent auditing techniques used to substantiate the findings of the independent audit are sufficient as a basis of our opinions.

Independent Auditors Report

January 1, 2010 - December 31, 2010 Fiscal Year

**PÜR BAĞIMSIZ DENETİM
YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.**
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OPINION

In our opinion, the attached consolidated financial statements accurately reflect the financial status of IHLAS EV ALETLERI IMALAT SANAYI VE TICARET A.Ş., as of December 31, 2010, and the Company's cash flow for the period ending December 31, 2010, in compliance with the financial reporting standards published by theCMB.

Although not affecting our opinion, we would like to point out that the Company's consolidated financial statements dated December 31, 2009, presented in comparison with the consolidated financial statements dated December 31, 2010, were prepared by another independent auditing company, which has issued a qualified opinion for these consolidated financial statements. Moreover, the financial statements of the Group company, Bayındır Madencilik ve Ticaret A.Ş., dated December 31, 2010, included in the line-by-line consolidated financial statements (attached), were audited by another independent auditing company.

Istanbul, February 23, 2011

Pür Bağımsız Denetim

Yeminli Mali Müşavirlik A.Ş.

Şükrü YAVUZ

Responsible Partner – Lead Auditor

İHLAS EV ALETLERİ İMALAT SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS REPORT FOR THE January 01, 2010 – December 31, 2010 Fiscal Year

Consolidated Financial Statements and Footnotes

İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Consolidated Balance Sheets As of December 31, 2010, and December 31, 2009

(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

		Based on Independent Audit	
	Footnote References	Audited 31.12.2010	Audited 31.12.2009
ASSETS			
Current Assets		**171.350.532**	**174.909.288**
Cash and Cash Equivalents	6	40.183.783	34.384.378
Financing Investments	7	25.843.181	47.874.797
Trade Receivables	10	56.078.594	41.169.506
- Trade Receivables from Related Parties	10	30.101.967	29.035.981
- Other Trade Receivables	10	25.976.627	12.133.525
Receivables from Financing Activities	12	0	0
Other Receivables	11	1.055.780	3.829.731
Inventories	13	25.509.751	28.122.386
Biological Assets	14	0	0
Other Current Assets	26	22.679.443	19.528.490
(Subtotal)		171.350.532	174.909.288
Held-for-Sale Fixed Assets	34	0	0
Fixed Assets		**118.038.080**	**114.176.008**
Trade Receivables	10	0	0
Receivables from Financial Activities	12	0	0
Other Receivables	11	480.039	274.942
Financing Investments	7	3.526.551	1.751.322
Investments Appraised using the Equity Method of Accounting	16	0	0
Biological Assets	14	0	0
Investment Properties	17	38.983.017	37.719.625
Tangible Assets	18	4.966.175	5.625.110
Intangible Assets	19	893.195	299.416
Goodwill	20	41.730.348	43.751.115
Deferred Tax Assets	35	6.420.462	3.267.181
Other Fixed Assets	26	21.038.293	21.487.297
TOTAL ASSETS		**289.388.612**	**289.085.296**

Consolidated Financial Statements and Footnotes

İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Consolidated Balance Sheets As of December 31, 2010, and December 31, 2009

(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

		Based on Independent Audit	
	Footnote References	Audited 31.12.2010	Audited 31.12.2009
RESOURCES			
Short-Term Liabilities		**51.436.254**	**56.600.326**
Financial Liabilities	8	11.557.238	7.200.812
Other Financial Liabilities	9	7.437.400	1.350.000
Trade Payables	10	22.203.131	23.208.039
- Related Party Payables	10	1.044.359	259.360
- Other Trade Payables	10	21.158.772	22.948.679
- Other Payables	11	0	0
Financial Activity Payables	12	0	0
Government Incentives and Aid	21	0	0
Year-end Profit Tax Liabilities	35	0	392.971
Payables Provisions	22-23	0	0
Other Short-Term Liabilities	26	10.238.485	24.448.504
(Subtotal)		51.436.254	56.600.326
Held-for-Sale Fixed Asset Liabilities	34	0	0
Long-Term Liabilities		**6.464.729**	**8.312.213**
Financial Liabilities	8	0	4.198.847
Other Financial Liabilities	9	0	0
Trade Payables	10	0	0
Other Payables	11	0	0
Financing Activity Payables	12	0	0
Government Incentives and Aid	21	0	0
Payables Provisions	22-23	2.137.629	1.615.842
Employee Benefit Provisions	24	1.092.263	1.044.564
Deferred Tax Liabilities	35	3.234.837	1.278.923
Other Long-Term Liabilities	26	0	174.037
EQUITIES		**231.487.629**	**224.172.757**
Equities for the Parent Company		**204.913.013**	**193.711.164**
Issued Capital	27	191.370.001	191.370.001
Cross-Ownership Capital Adjustments (-)	27	0	0
Share Premiums	27	6.534.581	6.534.581
Growth Funds	27	1.984.217	0
Currency Exchange Differences	27	0	0
Restricted Reserves from Profits	27	1.680.909	1.453.715
Profit/(Loss) from Previous Years	27	(5.874.327)	(7.727.831)
Net Current Profit/(Loss)	36	9.217.632	2.080.698
Minority Shares	**27**	**26.574.616**	**30.461.593**
TOTAL RESOURCES		**289.388.612**	**289.085.296**

Consolidated Financial Statements and Footnotes

İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Consolidated Comprehensive Income Statements For The Fiscal Years January 1, 2010 - December 31, 2010 and January 1, 2009 - December 31, 2009

(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

		Based on Independent Audit	
	Footnote References	Audited 01.01.2010- 31.12.2010	Audited 01.01.2009- 31.12.2009
CONTINUING OPERATIONS			
Sales Revenues	28	101.924.593	90.738.106
Cost of Sales (-)	28	(94.162.232)	(79.419.532)
Trade Activities Gross Profit/(Loss)		**7.762.361**	**11.318.574**
Interests, Fees, Premiums, Commissions, and Other Income	28	0	0
Interests, Fees, Premiums, Commissions, and Other Expenses (-)	28	0	0
Gross Profit/(Loss) from Financing Activities		**0**	**0**
GROSS PROFIT/(LOSS)		**7.762.361**	**11.318.574**
Marketing, Sales, and Distribution Expenses (-)	29	(2.782.182)	(2.574.158)
Administrative Expenses (-)	29	(7.050.551)	(10.004.256)
Research and Development Expenses (-)	29	(843.220)	(815.906)
Other Operating Income	31	18.814.050	19.552.022
Other Operating Expenses (-)	31	(12.930.505)	(14.555.326)
OPERATING PROFIT/(LOSS)		**2.969.953**	**2.920.950**
Amount of Investment Appraisal through Equity Management in Profit/Loss		0	0
Finance Income	32	8.861.441	9.861.667
Finance Expenses (-)	33	(6.468.081)	(10.811.313)
CONTINUING OPERATIONS PROFIT/(LOSS) BEFORE TAXES		**5.363.313**	**1.971.304**
Continuing Operations Tax Income/ (Expense)		**(48.025)**	**(2.673.277)**
- Current Tax Income/(Expense)	35	(1.245.392)	(946.986)
- Deferred Tax Income/(Expense)	35	1.197.367	(1.726.291)
CONTINUING OPERATIONS PROFIT/(LOSS) FOR THE PERIOD		**5.315.288**	**(701.973)**
DISCONTINUED OPERATIONS		**0**	**0**
Discontinued Operations Profit/(Loss) After Taxes		**0**	**0**
PROFIT/(LOSS)		**5.315.288**	**(701.973)**
Distribution of Profit/(Loss)		**5.315.288**	**(701.973)**
Minority Shares	36	(3.902.344)	(2.782.671)
Parent Shares	36	9.217.632	2.080.698
Earnings per Share (in Kurus)	**36**	**0,048**	**0,011**
Diluted Earnings per Share (in Kurus)	**36**	**0,048**	**0,011**
Earnings per Share from Continuing Operations (in Kurus)	**36**	**0,048**	**0,011**
Diluted Earnings per Share from Continuing Operations (in Kurus)	**36**	**0,048**	**0,011**

Consolidated Financial Statements and Footnotes

İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Consolidated Comprehensive Income Statements For The Fiscal Years January 1, 2010 - December 31, 2010 and January 1, 2009 - December 31, 2009

(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

		Based on Independent Audit	
OTHER COMPREHENSIVE INCOME STATEMENT	Footnote References	Audited 01.01.2010- 31.12.2010	Audited 01.01.2009- 31.12.2009
PROFIT/LOSS FOR THE PERIOD	**36**	**5.315.288**	**(701.973)**
OTHER COMPREHENSIVE INCOME		**1.984.217**	**0**
Change in Financial Assets Growth Funds	27	1.984.217	0
Change in Fixed Assets Growth Funds		0	0
Change in Hedge Funds		0	0
Change in Currency Exchange Differences		0	0
Actuarial Profits and Losses from Retirement Benefit Plans		0	0
Shares in Other Comprehensive Incomes from Partnerships Appraised using the Equity Method of Accounting		0	0
Tax Income/Expenses Related with Other Comprehensive Income Items		0	0
OTHER COMPREHENSIVE INCOME (AFTER TAXES)		**7.299.505**	**(701.973)**
TOTAL COMPREHENSIVE INCOME		**7.299.505**	**(701.973)**
Distribution of Total Comprehensive Income			
Minority Shares		(3.902.344)	(2.782.671)
Parent Company Shares		11.201.849	2.080.698

Consolidated Financial Statements and Footnotes

İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Consolidated Statements of Change in Equity For The Fiscal Years Of
January 1, 2010 - December 31, 2010 and January 1, 2009 - December 31, 2009

(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

	Footnote References	Issued Capital	Share Premiums	Revaluation of Financial Fixed Assets	Net Profit/Loss for the Period	Profit/Loss from the Previous Years	Minority Shares	Total	Net Profit/Loss for the Period
January 1, 2010		**191.370.001**	**6.534.581**	**0**	**1.453.715**	**2.080.698**	**(7.727.831)**	**30.461.593**	**224.172.757**
Changes in Restricted Reserves Derived from the Profit	27	0	0	0	227.163	0	(227.163)	0	0
Changes in Revaluation of Financial Fixed Assets	27	0	0	1.984.217	0	0	0	0	1.984.217
Effective Share Adjustments	27	0	0	0	31	0	(31)	15.367	15.367
Transfers	27	0	0	0	0	(2.080.698)	2.080.698	0	0
Net Profit/Loss for the Period	36	0	0	0	0	9.217.632	0	(3.902.344)	5.315.288
December 31, 2010		**191.370.001**	**6.534.581**	**1.984.217**	**1.680.909**	**9.217.632**	**(5.874.327)**	**26.574.616**	**231.487.629**

	Footnote References	Issued Capital	Share Premiums	Restricted Reserves from Profit	Net Profit/Loss for the Period	Profit/(Loss) from the Previous Years	Minority Shares	Total
January 1, 2009		**95.685.001**	**3.953.382**	**1.267.617**	**(13.994.349)**	**6.411.364**	**13.589.629**	**106.912.644**
Capital Increase	27	95.685.000	0	0	0	0	22.605.867	118.290.867
Change in Share Premiums	27	0	2.581.199	0	0	0	0	2.581.199
Changes in Restricted Reserves from Profit	27	0	0	41.252	0	0	0	41.252
Transfers	27	0	0	144.846	13.994.349	(14.139.195)	0	0
New Acquisitions and Effective Share Adjustments	27	0	0	0	0	0	(2.951.232)	(2.951.232)
Net Profit/(Loss) for the Period	36	0	0	0	2.080.698	0	(2.782.671)	(701.973)
December 31, 2009		**191.370.001**	**6.534.581**	**1.453.715**	**2.080.698**	**(7.727.831)**	**30.461.593**	**224.172.757**

Consolidated Financial Statements and Footnotes

İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Consolidated Cash Flow Statements For The Fiscal Years Of
January 1, 2010 - December 31, 2010 and January 1, 2009 - December 31, 2009

(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

	Footnote References	Based on Independent Audit Audited Current Period 31.12.2010	Audited Previous Period 31.12.2009
Cash flow from Business Activities			
Net Profit/(Loss) for the Period	36	9.217.632	2.080.698
Reconciliation of Cash from Business Activities and Net Profit			
Depreciation	17,18	2.593.557	2.882.124
Amortization and Depletion Shares	19	327.219	1.737.027
Termination Benefit Provisions		47.699	163.995
Net Warranty Provisions	22-23	526.387	247.677
Taxes	35	48.025	2.673.277
Non-Parent Profit/(Loss)	36	(3.902.344)	(2.782.671)
Finance Income	32	(5.634.409)	(5.803.308)
Finance Expense	33	4.987.627	6.694.873
Goodwill Impairment Provisions	31	2.020.767	-
Subsidiary Impairment Provisions	31	111.774	-
Revaluation Surplus of Investment Properties	31	(1.497.582)	-
Net Long-term Securities Sales Profit/(Loss)	31	(143.942)	(334.013)
Terminated Lawsuit Provisions	31	(4.600)	(1.130.227)
Other Terminated Provisions	31	(1.510.704)	(2.198.885)
Annulment of Purchase Options Commitment	31	-	(4.933.334)
Revaluation Surplus of Financial Assets	27	1.984.217	-
Other Net Expense /(Income) Requiring No Cash Outflow/(Inflow)		28.403	62.787
Net Operating Profit Before Receivable and Payable Adjustments		**9.199.726**	**(639.980)**
Receivables and Payables Adjustments			
Financing Investments Adjustments	7	20.256.387	(25.415.424)
Trade Receivables Adjustments	10	(13.843.102)	7.157.395
Related Party Receivables Adjustments	10	(1.065.986)	(18.678.458)
Other Receivables Adjustments	11	2.568.854	(3.588.562)
Inventory Adjustments	13	2.612.635	(5.648.087)
Other Current Asset Adjustments	26	(1.905.561)	(7.532.596)
Other Fixed Asset Adjustments	26	449.004	(21.380.323)
Trade Payables Adjustments	10	(1.789.907)	1.341.459
Related Party Payables Adjustments	10	784.999	(425.207)
Other Short- and Long-Term Payables Adjustments	26	(14.384.056)	716.650
Taxes Paid	35	(1.245.392)	(87.846)
Termination Benefits Paid	24	(149.886)	(50.391)
Net Cash from Business Activities (A)		**1.487.715**	**(74.231.370)**

	Footnote References	Based on Independent Audit Audited Current Period 31.12.2010	Audited Previous Period 31.12.2009
Investment Activities			
Tangible Asset Purchases	18	(2.644.396)	(11.767.380)
Intangible Asset Purchases	19	(920.998)	(431.293)
Cash from Sold Tangible Assets		985.323	571.162
Outgoing Cash Flow from Subsidiary Acquisitions		-	(40.413.746)
Increase of Cash Capital of Subsidiaries (non-parent company share)		-	22.605.867
Parent Cash Capital Increase		-	95.685.000
Increase in Share Premiums		-	2.581.199
Net Cash from Investments (B)		**(2.580.071)**	**68.830.809**
Financing Activities:			
Received and Paid Net Interest	32,33	646.782	(891.565)
Financial Liabilities Adjustments	8	157.579	(4.491.098)
Other Financial Liability Adjustments	9	6.087.400	535.620
Net Cash for Financial Activities (C)		**6.891.761**	**(4.847.043)**
Net Increase in Cash and Cash Equivalent Assets (D = A + B + C)		**5.799.405**	**(10.247.604)**
Opening Balance for Cash and Cash Equivalent Assets (E)	6	**34.384.378**	**44.631.982**
Closing Balance for Cash and Cash Equivalent Assets (F = D + E)	6	**40.183.783**	**34.384.378**

Consolidated Financial Statements and Footnotes

İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Footnotes To The Consolidated Financial Statements As Of December 31, 2010

(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

Note 1 - Organization and Area of Activity of the Company

Ihlas ve Aletleri Imalat Sanayi ve Ticaret A.Ş. ("Company") is headquartered at 29 Ekim Cad. No: 23 Orta Blok Kat: 2/B Yenibosna, Bahçelievler, ISTANBUL, with Tax No. 470 007 3778 of the Marmara Corporate Tax Authority. 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. The Company owns a warehouse at Aynalı Çeşme Mevkii Ilgaz Cad. Ömerli Köyü-Hadımköy-Çatalca/Istanbul.

The Company conducts manufacturing operations in six facilities: one administrative building and five 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, and a carpet cleaning facility with a 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 June 3, 2010, dated Capacity Report (No. 2010-1447), which the Company obtained from the Istanbul Chamber of Industry, is valid until June 08, 2013.

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

Number of Employees	Administrators	31.12.2010 Laborers	Administrators	31.12.2009 Laborers
Parent Company	92	212	87	201
Subsidiaries	14	26	15	28
TOTAL	**106**	**238**	**102**	**229**

The Company's shareholding structure is depicted in the table below.

Title	Share %	31.12.2010 Share Amount	Share %	31.12.2009 Share Amount
İhlas Pazarlama Yatırım Holding A.Ş. (1)	17,60	33.681.000	-	-
İhlas Holding A.Ş. (1)(2)	4,18	8.000.000	21,78	41.681.000
Open to the Public	77,97	149.205.723	77,97	149.205.723
Other	0,25	483.278	0,25	483.278
Total	**100,00**	**191.370.001**	**100,00**	**191.370.001**

(1) Legal and real persons and legal entities with indirect shares:

Name / Title	Share %	31.12.2010 Share Amount	Share %	31.12.2009 Share Amount
Enver Ören	2,34	33.765.679	2,41	4.612.414
Open to the Public	17,64	4.481.646	18,85	36.080.320
Other	1,80	3.433.675	0,52	988.266
TOTAL	**21,78**	**41.681.000**	**21,78**	**41.681.000**

(2)The Parent Company of the Group, Ihlas Holding A.Ş., issued a lot of 8,000,000 (4.18 percent) company shares to Lehman Brothers as a deposit according to an options contract ending on July 24, 2009. Research and analyses conducted by Ihlas Holding A.Ş. revealed that Lehman Brothers Holdings Inc., New York, filed for bankruptcy and that the options contract of Ihlas Holding A.Ş. with Lehman Brothers Finance S.A. was in a state of insolvency. Accordingly, Ihlas Holding A.Ş. officially initiated the process for the return of the lot of 8,000,000 company shares (IHEVA) issued to Lehman Brothers Finance S.A. as a deposit on November 28, 2008. PricewaterhouseCoopers LLP (PwC) has been appointed as the bankruptcy arbiters of Lehman Brothers Finance S.A., which is in a state of insolvency. An official statement on the PricewaterhouseCoopers LLP official web site indicated that commercial relations had not been reconciled and that ownership of any rights and obligations were indeterminable. Therefore, the Parent Company of the Group, Ihlas Holding A.Ş., filed for an interim court injunction on the 8,000,000-share deposit to prevent any possible risks; the court granted an interim injunction on March 6, 2009. Following the injunction request, within the allowed time frame, on March 13, 2009, Ihlas Holding A.Ş. filed for the return of the deposit shares, or for the payment of the value of the shares on the date of return if unable to do so. Currently, the lawsuit petition is in the notification stage. The written notice has been sent to PwC Zurich, who has been appointed as the trustee in the bankruptcy for Lehman Brothers Finance S.A. Ihlas Holding A.Ş. is waiting for the return of this notification; the court date is set for May 3, 2011.

The Company's shareholders elect two, three, or four of the Members of the Board of Directors, depending on whether the Board consists of three, five, or seven members, respectively, from the candidates nominated by shareholders from group (A). The Company's shareholders elect one or two of the auditors, depending on whether the shareholders choose to appoint one or three auditors, respectively, from the candidates nominated by the shareholders from group (A). The other auditor is elected by the shareholders from among the nominated shareholders present at the General Shareholders Meeting.

The distribution of the Company's preferred shares (Group A shares) is as follows:

Partner Name / Title	Series	Group	Bearer / Registered	Number of Shares	AMOUNT	Rights
İhlas Pazarlama Yatırım Holding A.Ş.	I	A	Bearer	4.049.920	40.499	Elect Majority of the Members of the Board of Directors and Board of Auditors
Ahmet Mücahid Ören	I	A	Bearer	647.040	6.470	Elect Majority of the Members of the Board of Directors and Board of Auditors
Ali Tubay Gölbaşı	I	A	Bearer	156.180	1.562	Elect Majority of the Members of the Board of Directors and Board of Auditors

Some of the Subsidiaries Included in the Consolidation (Related to Effectiveness)

1. **Ihlas Madencilik A.Ş. (Ihlas Madencilik):** The company engages in mining operations.
2. **Mir Iç ve Dış Ticaret ve Maden Sanayi Limited Şirketi (Mir Maden):** The company engages in mining 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.
4. **Bayındır Madencilik ve Ticaret A.Ş. (former title: Okan Tekstil Sanayi ve Ticaret A.Ş.) (Bayındır Madencilik):** The company is engaged in all types of mining operations (formerly engaged in producing cotton yarn, manufacturing various textile products, and marketing these products both in the Turkish market and in international markets).

The merging process for the two Group companies, Ihlas Madencilik and Bayındır Madencilik, has begun, as per the Board of Directors' decision dated January 11, 2011.

Note 2 - Principles Regarding the Presentation of Financial Statements

A. Fundamental Presentation Principles

Compliance Statement

The Company keeps accounting records and prepares legal financial statements according to the Uniform Charts of Accounts, Turkish Commercial Law, Turkish Tax Legislation, and the accepted accounting policies published by the Capital Markets Board (CMB) for companies listed on the Istanbul Stock Exchange (ISE).

Consolidated Financial Statements and Footnotes

İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Footnotes To The Consolidated Financial Statements As Of December 31, 2010

(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

The CMB has outlined the principles and methods used for preparing financial reports to be presented to relevant parties in the Communiqué on Accounting Standards in Capital Markets (Serial XI, No: 29). This Communiqué became effective as of the first interim financial statements after January 1, 2008 and the Communiqué on Accounting Standards in Capital Markets (Serial XI, No: 25) of the CMB was rescinded. As per Communiqué with Serial XI, No: 29, companies are to comply with the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS), as accepted by the European Union, and to state the compliance of their financial statements with IAS/IFRS, as accepted by the European Union, in the financial statement footnotes. Moreover, the financial reports and accounting records are also projected using the Turkish Accounting Standards (TAS) and Turkish Financial Reporting Standards (TFRS) published by the Turkish Accounting Standards Board (TASB), whose standards are in line with those already adopted. However, in the interim, until TASB announces and reconciles any differences between the IAS/IFRS accepted by the European Union and those published by the International Accounting Standards Board, the IAS and IFRS will apply.

The Company's attached consolidated financial statements have been prepared in compliance with the Capital Markets Board Communiqué Serial XI, No: 29; these financial statements and footnotes are, therefore, presented according to the format requirements of the CMB, as announced on April 14, 2008.

Moreover, any corrections or reclassifications in the statutory accounting records to allow fair value measurement and presentation, as required by IFRS, are currently being prepared.

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. 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 37)

Due to ordinary activities, related party transactions have generally been performed at prices compatible with market conditions.

Basis of Consolidation

The consolidated financial statements include the accounts of Ihlas Ev Aletleri Imalat San. ve Tic. A.Ş., the Parent Company, and subsidiaries such as Ihlas Madencilik, Detes Enerji, Mir Maden, and Bayındır Madencilik (all referred to as the "Group"). Corrections and classifications have been made on the financial statements of the companies included in the consolidation in order to establish compliance with the Company's accounting policies and presentation formats.

The operating results of the subsidiaries have been included in the consolidated financial statements as of the date when control over the operations was transferred to the Company.

Subsidiary financial statements are subject to consolidation as per the full consolidation method.

Subsidiaries are companies where the parent company has either the power to use the majority 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 the majority of the parent company's voting rights.

Company Title	Share (%)
İhlas Madencilik	83,00 %
Detes Enerji	99,84 %
Bayındır Madencilik (*)	12,98 %
Mir Maden (*)	12,93 %

(*)Although the effective owned shares are less than the majority, the Company is entitled and authorized to actively control the operating and financial policies of these companies subject to full consolidation for the Company's own benefit.
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 follows:

Subsidiaries, Associations, and Long-Term Securities Not Included in Consolidation (Effective rate)

Company Title	Share (%)
Ihlas Mining Ltd. Şti. (Ihlas Mining)	83,00 %
Detes Maden Enerji ve Çevre Tek. Sis. Ltd. Şti. (Detes Ltd.)	20,00 %
İhlas Gazetecilik 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 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 about 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, 2010, effective as of January 1, 2005.

Consolidated financial statements dated December 31, 2010, 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.

The closing foreign currency exchange rates announced by the Central Bank of Turkey as of December 31, 2010 and December 31, 2009, are shown in the table below.

	Foreign Exchange Rates (TL/Foreign Currency)	
Currency	31.12.2010	31.12.2009
USD	1,5460	1,5057
EUR	2,0491	2,1603
GBP	2,3886	2,3892

Consolidated Financial Statements and Footnotes

İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Footnotes To The Consolidated Financial Statements As Of December 31, 2010

(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

Netting

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. Netting 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.

New and revised International Financial Reporting Standards:

Interpretations on new standards and revisions effective January 1, 2010:

New standards and revisions not affecting the Company's financial status or performance are as follows:

IFRS 1 (Revision) "First-Time Adoption of International Financial Reporting Standards" – Exceptions for first-time application: The revision has no effect on the Company's financial performance.

IFRS 2 (Revision) "Share-Based Payment" – Share-based payment paid out in cash: The revision has no effect on the Company's financial performance.

IFRS 3 (Revision) "Business Combinations" and IAS 27 (Revision) "Consolidated and Separate Financial Statements"

IAS 39 (Revision) "Financial Instruments: Recognition and Measurement" - Hedged instruments: The revision has no effect on the Company's financial performance.

IFRIC 17 "Distributions of Non-cash Assets to Owners": The revision has no effect on the Company's financial performance.

Annual Improvements to IFRSs (published in 2008): The improvements have no effect on the Company's financial performance.

Annual Improvements to IFRSs (published in 2009): The improvements have no effect on the Company's financial performance.

New standards, revisions and interpretations effective December 31, 2010 (these revisions have not yet been approved by the European Union):

IFRIC 9 "Reassessment of Embedded Derivatives" (Effective as of fiscal periods beginning on or after January 1, 2013): The revision has no effect on the Company's financial performance.

IFRS 9: The standard introduces new provisions for classifying and measuring financial assets. The Company is evaluating the effects of the interpretation.

IAS 24 (Revision) "Related Party Disclosures" (Effective as of fiscal periods beginning on or after January 1, 2011): The Company will apply the revisions in the disclosures of the fiscal period beginning after January 1, 2011.

IAS 32 (Revision) "Financial Instruments: Presentation": The revision made in IAS 32 is used for accountability of shares issued in a currency other than the functional currency. The revision has no effect on the Company's financial performance.

IFRIC 14 (Revision) "Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (Effective as of fiscal periods beginning on or after January 1, 2011. Earlier application is permitted.): This revision resolves the issue regarding companies not being able to recognize some early-payments made voluntarily for minimum funding requirements as assets. The revision has no effect on the Company's financial performance.

IFRIC 19 "Removal of Financial Liabilities through Capital Instruments":

IFRIC 19 defines only the recognition principle to be used by businesses that issue capital instruments to remove a financial liability wholly or partially. This interpretation does not affect the Group's financial performance.

IFRS 1 (Revision) – Provision of limited exemption from comparative IFRS 7 disclosures (Effective as of fiscal periods beginning on or after July 1, 2011.): The revision has no effect on the Company's financial statements.

Improvements to the IFRSs (Published in May 2010):

The International Accounting Standards Committee has published 11 improvements regarding the 7 standards in May 2010. These improvements are listed below:

IFRS 1: Accounting policy changes in the year of adoption
IFRS 1: Revaluation basis as deemed cost
IFRS 1: Use of deemed cost for operations subject to rate regulation
IFRS 3: Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS
IFRS 3: Measurement of non-controlling interests
IFRS 3: Non-replaced and voluntarily replaced share-based payment awards
IFRS 7: Clarification of disclosures
IAS 1: Clarification of statement changes in equity
IAS 27: Transition requirements for amendments arising as a result of IAS 27 "Consolidated and Separate Financial Statements"
IAS 34: Significant events and transactions
IFRIC 13: Fair value of award credits

The Company believes that the application of these Standards and Interpretations will not have a significant effect on the Company's consolidated financial statements in the future.

C. Changes in Accounting Estimates and Errors

Corrections and inaccuracies in accounting estimates refer to an adjustment of the carrying amount of an asset or liability, or related expense, resulting from reassessing the expected future benefits and obligations associated with that asset or liability. Changes in accounting estimates result from a new development or information and, therefore, do not constitute a correction of errors.

While preparing the financial statements according to IFRS, the Company's management must make some assumptions and estimates that could affect working assets and liabilities and disclosures regarding contingent assets and liabilities as of the date of the balance sheet. Actual results may differ from estimates and assumptions.

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 Material Accounting Policies

Cash and Cash Equivalents

With respect to the presentation of the cash flow statement, cash and cash equivalents comprise cash-on-hand and cash in demand deposits and in maturity deposits. Cash and cash equivalents are recognized with the cost of acquisition and the sum of interest accrued. As per the Capital Markets Board Communiqué Serial XI, No: 29, financing investments with a maturity of three months or less are reported under the "Cash and Cash Equivalents" segment.

Financial Assets

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.

Financial assets held for trading consist of banks with maturity terms of three months or more; and securities that are part of a short-term, profit-oriented portfolio, irrespective of the reason for acquisition; or securities that are acquired for the purpose of profiting from short-term fluctuations in market prices; and so forth. 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 derecognized 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 is able to 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 derecognized 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. The imputed rate of interest is calculated based on the maturity of the trade receivable; an effective interest rate is calculated and used in the discounting procedures.

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 doubtful:

a) Doubtful receivables from previous years;
b) The debtor's ability to pay; or
c) 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.

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 expenses 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.

(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

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:

a) Usage for administrative purposes or in the procurement or production of goods or services; or

b) 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:

a) The inflow of the future economic benefits from the property is probable.

b) 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.

In future periods, investment property appreciates using either the fair value method or the cost method. The Group has chosen to use the fair value method in valuation of its investment properties.

When a fixed tangible asset is reappraised, the accumulated amortization at the date of reappraisal is adjusted with respect to the change in the asset's gross book value. Thus, the asset's book value after reappraisal is in line with its value after reappraisal.

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. (See Note 17)

Amortization is calculated using the useful life and method shown below:

	Useful Life (Years)	Method
Buildings	50	Straight-line

Tangible and intangible assets

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

a) It is probable that the future economic benefits attributable to the asset will flow to the enterprise; and

b) 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. The Company uses the cost method for measuring the value of tangible and intangible assets.

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

	Useful Life (Years)	Method
Aboveground and underground setups	5	Straight-Line
Machinery, plants, and equipment	4-15	Straight-Line
Vehicles, tools, and instruments	5-10	Straight-Line
Furniture and fixtures	3-10	Straight-Line
Rights	1-10	Straight-Line
Mining rights, research and Development expenses	0-10	Straight-Line
Other Intangible Assets	5-10	Straight-Line

The useful life and amortization method is reviewed regularly to ensure the amortization method and period reflect economic benefit.

Even when purchased together, land and buildings are tangible assets 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. 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.

Intangible assets represent rights, rights regarding mining investments, research, and development expenses, and other nonmonetary 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 is reported under "Administrative Expenses" and "Sales Costs" in the income statement, while the inactive portion is shown under "Inactive Expenses."

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 tradable mineral is detected as a result of this research. Acquisition of exploration rights, the topographic, geological, geochemical, and geophysical studies, exploratory drilling, excavation, 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 research 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.

Taxation and Deferred Taxes

Turkish tax regulations do not allow for the parent company and its subsidiaries to file a consolidated tax return.. Thus, the tax provisions recognized in consolidated financial statements have been calculated separately for each company. A company'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 deductable, and non-taxable and non-deductable 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.

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 35)

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.

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 "Mergers," 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.

Severence Provisions

Severance indemnities are the documented sums of all potential estimated liabilities arising from the retirements or complete severances of employees who no

Consolidated Financial Statements and Footnotes
İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Footnotes To The Consolidated Financial Statements As Of December 31, 2010
(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

longer have ties to the company after at least 12 months of service, the military draft, or death in the foreseeable future, as of the date of the balance sheet. (Note 24)

The actuarial valuation method is used for discounting severance indemnity liabilities, for which actuarial assumptions must be made. 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 24)

In this context, the Company 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 Contingent 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. 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. (Notes 22-23)

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. (Notes 22-23)

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.

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.

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:

a) Audits of the completed transactions;

b) Rate of services completed until the balance sheet date to the total considered services; and

c) Rate of cost to date to the total expected cost of the transaction.

Nonaccrual Financial Income/Expenses

Nonaccrual 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.

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.

Consolidated Financial Statements and Footnotes
İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Footnotes To The Consolidated Financial Statements As Of December 31, 2010
(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

Financial Instruments

Recognition and Derecognition 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 derecognize 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.

The methods and assumptions below have been used in the estimation of the fair value of financial instruments whose fair value can be determined.

Financial Assets:

The fair value of foreign currency balances that have been converted from end-of-period rates are recognized as being within reasonable convergence to the recognized value. Foreign currency exchange rate income and expenses arising from these types of financial instruments are reported in the financial income/expenses account.

The fair value of financial assets recognized at cost, including cash, banks, and bank deposits, are recognized as near registered value due to the negligibility of losses in receivables and being short-termed.

Translation revenue and expenses arising from the valuation of foreign currency balances in cash and in demand deposits are reported in the financial income/expenses account.

Time deposits (restricted and unrestricted) balances are valued based on the effective interest rate method; gains or losses are reported in the financial revenue/expense account. Mutual fund gains or losses are reported as securities sales profit/loss in the financial income/expenses account.

Fair values of securities investments are calculated according to their market values on the date of the balance sheet.

Recognized values of business loans and receivables and doubtful receivables provisions are estimated to reflect their fair value. Recognized values of trade receivables and doubtful receivables provisions are estimated to reflect their fair value.

Financial Liabilities:

The fair value of short-term bank loans, customer deposits, and other monetary liabilities are recognized to have neared recognized value due to having short terms.

Long-term loans in foreign currency are converted from end-of-period rates; hence, their fair value is within reasonable convergence to the registered value.

Trade payables are measured at fair value. According to the standards of IAS 1 "Presentation of Financial Statements," because they are part of the working capital used by the enterprise during a normal operating cycle, trade payables are classified as short-term even if they are not due within twelve months after the reporting date.

If the Group chooses and plans to refinance or rotates its financial liabilities within twelve months after the reporting period, then this liability is reset in the long-term, even if it will be paid in the short-term. However, if the company does not choose or prefer to refinance or rotate its financial liabilities (i.e. a refinancing contract does not exist), a possibility of refinancing is not considered and the liability is reset in the short-term. All trade and financial liabilities are appreciated based on the effective interest rate method and all arising profits and losses are reported under cost of sales and financial income/expenses.

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.

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)

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 38. A foreign currency risk arises when exchange rates increase in favor of the Turkish lira (where the lira depreciates against foreign currencies). (Note 39-d)

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-f)

Government Incentives and Aid

Government incentives are not reflected in the financial statements unless a reasonable assurance exists that certain terms will be fulfilled. These terms include: a) the conditions for obtaining the incentive are met by the company; and b) the incentive is obtained by the company. Unless a reasonable assurance exists that the company will meet the conditions required for the incentive and that the incentive will be obtained, government incentives are not reflected in the financial statements.

Derivative Instruments and Hedging Instruments

According to IAS 39 "Financial Instruments: Recognition and Measurement," derivative instruments are measured initially at the acquisition cost and at fair value in subsequent periods. The fair values of derivative instruments traded on registered stock exchanges are their exchange values. The Group's derivative instruments consist of options. The Group has no outstanding option transactions as of December 31, 2010.

A fair (acceptable) value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or a previously derecognized firm commitment that is attributable to a particular risk. Commitments are contracts in which unrelated parties have come to terms that are legally binding and that impose sanctions for noncompliance.

The value of current commitments must be adjusted to reflect their fair value. Profits or losses from value readjustments are recognized in the income statement of the current annual reporting period. Guarantees for derivative instrument assets are classified according to the configuration; the valuation differences are recognized as financial investments whereas option pricing is recognized as financial investments and financial liabilities. The Group has no outstanding option transaction as of December 31, 2010.

Dividends

Dividend receivables are recognized as revenue in the period announced. Dividend payables are reflected in the consolidated financial statements as a liability in the period announced, as part of the profit distribution.

Issued Capital

Consolidated Financial Statements and Footnotes
İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Footnotes To The Consolidated Financial Statements As Of December 31, 2010
(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

Common stock shares are classified in equity. The costs associated with new share issues are reflected in equity on an after-tax proceeds basis.

Stock Issue Premiums

Stock issue premiums represent the difference arising from the sale of stock in the company and subsidiaries or investments valued on the equity method above their nominal values or the difference between the fair values and the nominal values of the stock issued for the companies acquired by the Group.

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. (Note 40)

Cash Flow Statement

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.

Segment Reports

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

(a) 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);

(b) 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

(c) Maintains a separate set of related financial reports.

E. Material Accounting Evaluations, Estimations and Assumptions

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 Company when preparing the consolidated financial statements are explained in these notes:

Note 2-d	Fair value determination
Note 2-d	Tangible and intangible fixed assets useful life and impairment provisions
Notes 7 and 39-g	Stock value impairment provisions
Notes 10 and 39-e	Trade receivables impairment provisions
Note 13	Inventories impairment provisions
Note 22-23	Claim and warranty provisions
Note 24	Severance provisions
Note 35-b	Deferred taxes assets and liabilities

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:

a) If a sign of impairment exists, the Group determines whether impairment is factual by calculating the recoverable amount. This requires calculating the net present value for the cash generating unit, which in turn requires calculating the estimated cash flow of the Group unit in the subsequent reporting period and determining the proper discounted rate to be used in calculating the net present value of this cash flow.

b) 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 carriedforward but unused losses as well as on any deductible temporary differences. The Group reviewed its deferred taxes carried on the books as of December 31, 2010.

Management used certain assumptions and estimations when calculating severance provisions (Note 24) and determining useful life and doubtful receivables provisions. (Notes 10 and 39-e)

Note 3 – Mergers

Current Reporting Period

None.

Previous Reporting Period

The Company purchased 7 percent of Ihlas Madencilik shares held by İhlas Holding A.Ş., the Parent Company, for $25,388,708 (40,413,746 TL) based on the valuation report of AGD Bağımsız Denetim ve Danışmanlık S.M.M.M. A.Ş., on January 14, 2009. The goodwill calculations for this transaction are shown in the table below:

	Date of Acquisition	Equity Share Per Shareholder	Cost	Positive Goodwill
Resulting from 7% of İhlas Madencilik stock acquired by İhlas Ev Aletleri İmalat San. ve Tic. A.Ş. from İhlas Holding A.Ş.	January 14, 2009	768.711	40.413.746	39.645.035

Consolidated Financial Statements and Footnotes

İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Footnotes To The Consolidated Financial Statements As Of December 31, 2010

(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

The fair value of assets and liabilities attributable to acquisitions are as follows:

Cash and cash equivalents	2.194.726
Trade receivables (short and long term)	29.322
Inventories	731.778
Other current assets	5.459.533
Financial fixed assets	1.738.882
Tangible fixed assets	1.927.726
Intangible fixed assets	5.873.191
Deferred tax assets	2.678.411
Other fixed assets	181.659
Financial liabilities (short and long term)	(883.349)
Trade payables (short and long term)	(6.666.419)
Deferred tax liabilities	(264.463)
Other short-term and long-term liabilities	(2.019.409)
Fair Value of Acquired Net Assets:	**10.981.588**
Fair value per share amount of acquired net assets (7%) (1)	768.711
Acquisition cost (purchase cost) (2)	40.413.746
Positive Goodwill (2-1)	**39.645.035**

Note 4 – Joint Ventures

None (December 31, 2009: None).

Note 5 – Segment Reports

January 1, 2010 to December 31, 2010

	Home Appliances	Energy	Mining (*)	Group Total
Net sales revenues (net)	101.656.058	-	268.535	101.924.593
Cost of sales (-)	(93.224.809)	-	(937.423)	(94.162.232)
Gross profit/loss	**8.431.249**	**-**	**(668.888)**	**7.762.361**
Operating expenses	(7.858.398)	(257.830)	(2.559.725)	(10.675.953)
Other operations, income and profits	15.225.014	333.600	3.255.436	18.814.050
Other operations, expenses and losses (-)	(6.379.040)	(65.742)	(6.485.723)	(12.930.505)
Operating profit (loss)	**9.418.825**	**10.028**	**(6.458.900)**	**2.969.953**
Financial income /(expenses) net	2.987.630	(346.944)	(247.326)	2.393.360
Current operations profit/(loss) before taxes	**12.406.455**	**(336.916)**	**(6.706.226)**	**5.363.313**
Total assets	**220.720.186**	**5.133**	**68.663.293**	**289.388.612**
Total liabilities	**45.600.137**	**9.929**	**12.290.917**	**57.900.983**

(*) Okan Tekstil, one of the Company's subsidiaries, changed its title and area of activity on April 29, 2010, to Bayındır Madencilik ve Ticaret A.Ş. Since its area of activity also changed to mining, as per its title, its activities have been reported under this section.

January 1, 2009 to December 31, 2009

	Home Appliances	Energy	Mining	Textile	Group Total
Net sales revenues (net)	89.703.642	-	1.034.464	-	90.738.106
Cost of sales (-)	(77.867.925)	-	(1.551.607)	-	(79.419.532)
Gross profit/loss	**11.835.717**	-	**(517.143)**	-	**11.318.574**
Operating expenses	(8.003.628)	(8.487)	(3.536.685)	(1.845.520)	(13.394.320)
Other operations, income and profits	11.625.205	58.500	619.821	7.248.496	19.552.022
Other operations, expenses and losses (-)	(7.702.838)	(117.000)	(922.792)	(5.812.696)	(14.555.326)
Operating profit (loss)	**7.754.456**	**(66.987)**	**(4.356.799)**	**(409.720)**	**2.920.950**
Financial income /(expenses) net	134.677	60.808	275.584	(1.420.715)	(949.646)
Current operations profit/(loss) before taxes	**7.889.133**	**(6.179)**	**(4.081.215)**	**(1.830.435)**	**1.971.304**
Total assets	**214.225.210**	**336.586**	**37.175.096**	**37.348.404**	**289.085.296**
Total liabilities	**50.871.011**	**4.589**	**5.573.927**	**8.463.012**	**64.912.539**

Note 6 – Cash and Cash Equivalents

	31.12.2010	31.12.2009
Currency	**256.793**	**356.799**
Banks	**37.773.390**	**34.026.623**
- Demand deposits (a)	824.347	3.552.485
- Time deposits (TL)	36.949.043	30.474.138
Unrestricted time deposits with maturity of up to 3 months	523.810	8.000.757
Restricted time deposits with maturity of up to 3 months (a)	36.300.000	22.473.381
Liquid funds	125.233	-
Checks and promissory notes maturing on the reporting date	**2.151.300**	-
Other cash equivalents	**2.300**	**956**
Total	**40.183.783**	**34.384.378**

Interest rates for time deposits in TL are between 7.5 percent and 8.5 percent (31.12.2009: 5.85% - 10%).

(a) Information on the principal amounts of restricted deposits in the current reporting period is explained in detail in Notes 22 and 23-a (3).

Consolidated Financial Statements and Footnotes

İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Footnotes To The Consolidated Financial Statements As Of December 31, 2010

(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

Note 7 – Financial Investments

	31.12.2010	31.12.2009
Short term financial investments	**25.843.181**	**47.874.797**
Financial assets whose fair value differences are recognized in the profit/loss statement	**15.712.000**	**4.080.000**
- Stocks (a)	7.456.760	6.424.985
- Provisions for Stock Value Appreciation (+) / Impairment (-)	8.255.240	(2.344.985)
Banks	**10.131.181**	**43.794.797**
- Unrestricted time deposits with maturity of more than 3 months (TL)	-	10.350.685
- Restricted time deposits with maturity of more than 3 months (TL) (B)	10.131.181	33.444.112

Interest rates for time deposits in TL are 9 percent (previous year: 8-9.25 percent).

(a) Consists of Ihlas Holding A.Ş. and Bayındır Madencilik shares traded in the Istanbul Stock Exchange (ISE).

(b) 131,181 TL of the current period balance comes from the group company, Bayındır Madencilik. Detailed information on the principal amounts of the restricted deposits is found in Notes 22-23-a(3).

Long-term Financial Investments

Long-term Financial Investments	Shares (%)	31.12.2010	Shares (%)	31.12.2009
A- Unconsolidated Subsidiaries				
İhlas Madencilik (a)	%74,70	328.185	%74,70	328.185
Provisions for İhlas Madencilik Impairment (-)		(111.774)		-
B- Unconsolidated affiliates				
Naturel GmbH (b)	-	-	%45,00	97.214
Detes Maden Enerji ve Çevre Tek. Sis. Ltd Şti. (c)	%20,00	10.000	%20,00	10.000
C- Equity securities of affiliates and subsidiaries				
İhlas Gazetecilik A.Ş. (d)	%1,03	3.300.140	%1,03	1.315.923
TOTAL		**3.526.551**		**1.751.322**

Based on their financial position as of December 31, 2010, and December 31, 2009, 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 financials.

(a) İhlas Madencilik, 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, 2009, 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. As of December 31, 2010, the company's value has been impaired by 111,774 TL; hence, an affiliate impairment provision has been set aside for 111,774 TL.

(b) As per the board of directors' decision dated July 7, 2010, the Company has transferred its shares in Naturel GmbH to İhlas Media & Trade Center GmbH in exchange for EUR 45,000.

(c) The subsidiary is excluded from the consolidation since its financial statements as of December 31, 2010 and December 31, 2009, 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.

(d) It has been appraised based on Market value and has been associated with the Appraisal Funds account. Ihlas Gazetecilik A.Ş. shares are traded on the Istanbul Stock Exchange (ISE) and its financial statement and reports are published in the ISE quarterly.

December 31, 2010, dated financial statements for the Company's available-to-sell unconsolidated subsidiaries, Ihlas Mining and Detes Ltd., are as follows:

İhlas Mining (in USD)	31.12.2010	31.12.2009
Current assets	124.981	172.750
Fixed assets	15.000	15.000
Short-term liabilities	-	-
Long-term liabilities	-	-
Equity	139.981	187.750
Net sales	16.927	23.481
Net profit/(loss)	(47.769)	(12.250)

Detes Ltd.	31.12.2010	31.12.2009
Current assets	199.452	210.013
Fixed assets	20.716	24.500
Short-term liabilities	734.295	739.925
Long-term liabilities	-	-
Equity	(514.127)	(505.412)
Net sales	43.354	109.579
Net profit/(loss)	(8.715)	44.951

Note 8 – Financial Liabilities

	31.12.2010	31.12.2009
Short-term financial liabilities	**11.557.238**	**7.200.812**
Bank debt	11.162.836	6.547.691
Finance lease liabilities	394.402	653.121
Long-term financial liabilities	-	**4.198.847**
Bank loans	-	3.749.851
Finance lease liabilities	-	448.996

Consolidated Financial Statements and Footnotes

İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Footnotes To The Consolidated Financial Statements As Of December 31, 2010

(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

A-) Bank Loans:

	Currency	Interest Rate (%)	Maturity	31.12.2010 Amount in TL
Short-term Loans	TL	10-12	Up to 3 months	551.354
	USD	LBR+6,5	Up to 3 months	5.999.151
	EURO	14	Up to 3 months	4.349.398
	TL	10-12	3 to 12 months	262.933
				11.162.836

	Currency	Interest Rate (%)	Maturity	31.12.2009 Amount in TL
Short-term Loans	TL	15	Up to 3 months	328.136
	USD	LBR+8,5	Up to 3 months	5.913.877
	EURO	14	Up to 3 months	305.678
Long-term Loans	EURO	14	1 to 5 years	3.749.851
				10.297.542

Maturity analysis of bank loans as of December 31, 2010, and December 31, 2009, is shown in the table below:

	31.12..2010	31.12.2009
Loans from Banks	11.162.836	10.297.542
- Loans with maturity of up to 3 months	10.899.903	6.547.691
- Loans with maturity of 3 to 12 months	262.933	-
- Loans with maturity of 1 to 2 years	-	3.749.851

B-) Financial Lease Liabilities:

Currency	Maturity	31.12.2010	31.12.2009
TL	up to 3 months	63	6.772
USD	up to 3 months	27.408	29.842
EUR	up to 3 months	78.083	157.374
TL	up to 3 months	121	-
USD	up to 3 months	87.792	100.403
EUR	up to 3 months	200.935	358.730
TL	1 to 5 years	-	182
USD	1 to 5 years	-	113.402
EUR	1 to 5 years	-	335.412
		394.402	**1.102.117**

Maturity analysis of financial lease liabilities as of December 31, 2010, and December 31, 2009, is shown in the table below:

	31.12.2010	31.12.2009
Financial lease liabilities	**394.402**	**1.102.117**
- Financial lease liabilities with maturity of up to 3 months	105.554	193.988
- Financial lease liabilities with maturity of 3 to 12 months	288.848	459.133
- Financial lease liabilities with maturity of 1 to 2 years	-	448.996

Not 9 - Diğer Finansal Yükümlülükler

	31.12.2010	31.12.2009
Other financial liabilities	**7.437.400**	**1.350.000**
Revolving Loans	7.437.400	1.350.000

Note 10 – Trade Receivables and Payables

	31.12.2010	31.12.2009
Short-term Trade Receivables	**56.078.594**	**41.169.506**
Trade receivables from related parties	30.101.967	29.035.981
- Gross trade receivables from related parties (a)	31.184.912	29.954.757
- Rediscount of trade receivables from related parties (-) (a)	(1.082.945)	(918.776)
Other Trade Receivables	25.976.627	12.133.525
- Customers	3.937.761	3.955.251
- Post-dated checks and promissory notes	26.488.120	11.961.208
- Rediscount on trade receivables (-)	(1.065.114)	(349.695)
- Less: doubtful receivables provisions	(3.384.140)	(3.433.239)
Short-term Trade Payables	**22.203.131**	**23.208.039**
Trade payables to related parties (a)	1.044.359	259.360
- Gross trade payables to related parties	1.051.483	263.439
- Discount on trade payables to related parties (-)	(7.124)	(4.079)
Other Trade Payables	21.158.772	22.948.679
- Suppliers	8.917.609	8.008.370
- Post-dated checks and promissory notes	12.378.047	15.149.811
- Other	-	9.677
- Discount on trade payables (-)	(136.884)	(219.179)

(a) Details are explained in Note 37.

Consolidated Financial Statements and Footnotes
İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Footnotes To The Consolidated Financial Statements As Of December 31, 2010
(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

The breakdown of provisions on doubtful trade receivables is as follows:

	31.12.2010
Balance as of January 1	**(3.433.239)**
Provisions reversed in current year	50.158
Provisions for current year	(1.059)
Year-End Balance	**(3.384.140)**

Note 39-e shows in detail the maturity analysis and provisions related to past dues with impairment provisions as well as past dues without impairment provisions.

Note 39-e shows the maturity analysis for trade receivables (net) that are not past due as of December 31, 2010.

Note 11– Other Receivables and Payables

	31.12.2010	31.12.2009
Other short-term receivables	**1.055.780**	**3.829.731**
Mehmet Okan	226.209	-
Deposits and Collaterals	145.638	165.833
Okan Holding A.Ş.	-	3.654.774
Okan Yatırım Bankası	-	7.146
Other receivables	683.933	1.978
Other long-term receivables	**480.039**	**274.942**
Deposits and collaterals	480.039	274.942
Other short-term payables	-	-
Other long-term payables	-	-

Note 12 – Receivables and payables on financial transactions

None (December 31, 2009: None)

Note 13 – Inventories

	31.12.2010	31.12.2009
Raw materials and supplies	18.402.114	18.735.269
Work in progress	683.529	75.495
Finished goods	49.289	312.707
Commodities	1.446.697	1.953.610
Other inventories (goods in transit) (A)	6.241.728	8.719.577
Provisions for inventory impairment (-)	(1.313.606)	(1.674.272)
Total	**25.509.751**	**28.122.386**

(a) 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:

Balance as of January 1	**(1.674.272)**
Provisions reversed in current year	360.666
Provisions for current year	-
Year-End Balance	**(1.313.606)**

No inventories are used as collaterals for the Group's liabilities. (Previous year: None).

Note 14 – Biological Assets None (December 31, 2009: none)

Note 15 – Assets from Ongoing Construction Contracts None (December 31, 2009: none)

Note 16 – Investments Appraised Using the Equity Method of Accounting None (December 31, 2009: none)

Note 17 – Investment property

Current Annual Reporting Period

	01.01.2010	Inflows	Revaluation Gain Funds(*)	Transfers	31.12.2010
Cost					
Land	3.915.000	-	839.955	220.045	4.975.000
Buildings	34.875.000	-	657.627	-	35.532.627
Less: accumulated depreciation					
Buildings	(1.070.375)	(454.235)	-	-	(1.524.610)
Investment Property (net)	**37.719.625**				**38.983.017**

(*) Details about the revaluation gains are presented in the table below:

Land	Book Value	Accumulated Depreciation	Net Book Value	Assessed Value	Valuation Difference (**)
Tire Organize Sanayi Bölgesi, Turan Mah., Taştepe Mevkii, 3. Yol, Isle No. 1727 Parcel No. 14 Tire/IZMIR (1)	220.045	-	220.045	325.000	104.955
Sam Köyü, Başpınar Mevkii, Sections 1-4, Parcel 116 Şehitkamil / GAZIANTEP (2)	3.915.000	-	3.915.000	4.650.000	735.000
Total Land and Land Revaluation Amount					**839.955**
Buildings					
Sam Köyü, Başpınar Mevkii, Sections 1-4, Parcel 116 Şehitkamil / GAZIANTEP (2)	16.735.000	(902.627)	15.832.373	16.490.000	657.627
Total Land Revaluation Amount					**657.627**

(**) Revaluation differences have been included in "Other Operating Income" in association with the Consolidated Comprehensive Income.

(1) Prepared by Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş. on May 3, 2010, using the imputed value comparison method.

(2) Prepared by Elit Gayrimenkul Değerleme A.Ş. on December 20, 2010, using the cost approach method and imputed value comparison method.

Consolidated Financial Statements and Footnotes

İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Footnotes To The Consolidated Financial Statements As Of December 31, 2010

(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

Previous Annual Reporting Period

	01.01.2009	Inflows	Revaluation gains	Transfers (*)	31.12.2009
Cost					
Land	3.915.000	-	-	-	3.915.000
Buildings	16.735.000	10.640.000	423.416	7.076.584	34.875.000
Less: accumulated depreciation					
Buildings	(319.042)	(892.865)	719.453	(577.921)	(1.070.375)
Investment Property (net)	**20.330.958**				**37.719.625**

(*) Buildings transferred from tangible fixed assets to investment property.

With a valuation based on the appraisal report of Vektör Gayrimenkul Değerleme A.Ş., dated December 7, 2009, using an imputed value comparison and revenue method, the book value and assessed value of the Company's investment property is as follows:

Property	Book Value	Accumulated Depreciation	Net Book Value	Assessed Value	Valuation Difference
Building in Istanbul province, Bahçelievler, District of Yenibosna at Map Plate No. 24, Lot No. 10913, 16th Independent Section	7.076.584	(719.453)	6.357.131	7.500.000	1.142.869

The mortgages on the Group's investment property amounted to $12,750,000 and 10,490,000 TL (December 31, 2009: $12,750,000 and 10,490,000 TL). (Note 22-23-a(1))

Note 18 – Tangible Fixed Assets

Current Annual Reporting Period

	01.01.2010	Inflows	Outflows	Transfers (*)	31.12.2010
Cost					
Property: facilities and underground installations	361.524	125.735	-	(220.045)	267.214
Machinery, plants, and equipment	63.241.149	80.059	(34.510.783)	-	28.810.425
- Acquisitions through finance leases	2.169.749	-	-	-	2.169.749
- Other	61.071.400	80.059	(34.510.783)	-	26.640.676
Furniture, fixtures, and vehicles	7.836.185	2.438.602	(63.711)	-	10.211.076
Ongoing investments	37.269	-	(37.269)	-	-
Total	**71.476.127**	**2.644.396**	**(34.611.763)**	**(220.045)**	**39.288.715**
Less: accumulated depreciation					
Facilities and underground installations	(70.246)	(45.210)	-	-	(115.456)
Machinery, plants, and equipment	(59.323.092)	(1.254.397)	33.604.637	-	(26.972.852)
Furniture, fixtures, and vehicles	(6.457.679)	(839.715)	63.162	-	(7.234.232)
Total	**(65.851.017)**	**(2.139.322)**	**33.667.799**	-	**(34.322.540)**
Tangible Fixed Assets (net)	**5.625.110**				**4.966.175**

(*) The land belonging to Mir Maden, one of the Group companies, was transferred from tangible fixed assets to investment property.

Previous Annual Reporting Period

	01.01.2009	Inflows	Outflows	Transfers (Note 17) (*)	Transfers	31.12.2009
Cost						
Property: facilities and underground installations	141.479	-	-	-	220.045	361.524
Buildings	7.076.584	-	-	(7.076.584)	-	-
Machinery, plants, and equipment	63.131.703	427.256	(451.075)	-	133.265	63.241.149
- Acquisitions through finance leases	1.930.374	239.375	-	-	-	2.169.749
- Other	61.201.329	187.881	(451.075)	-	133.265	61.071.400
Furniture, fixtures, and vehicles	7.477.337	700.124	(208.011)	-	(133.265)	7.836.185
Ongoing investments	257.314	-	-	-	(220.045)	37.269
Total	**78.084.417**	**1.127.380**	**(659.086)**	**(7.076.584)**	**-**	**71.476.127**
Less: accumulated depreciation						
Facilities and underground installations	(41.950)	(28.296)	-	-	-	(70.246)
Buildings	(577.921)	-	-	577.921	-	-
Machinery, plants, and equipment	(58.026.995)	(1.338.835)	42.738	-	-	(59.323.092)
Furniture, fixtures, and vehicles	(6.000.350)	(622.128)	164.799	-	-	(6.457.679)
Total	**(64.647.216)**	**(1.989.259)**	**207.537**	**577.921**	**-**	**(65.851.017)**
Tangible Fixed Assets (net)	**13.437.201**					**5.625.110**

The mortgages on the Group's property were EUR 230,000 (December 31, 2009: EUR 230,000). (Note 22-23-a(1))

The gross book values of the fully depreciated tangible fixed assets still used by the Company are given below:

	31.12.2010	31.12.2009
Machinery, plants, and equipment (a)	25.003.428	51.720.038
Furniture, fixtures, and vehicles	5.564.795	5.067.994
Total	**30.568.223**	**56.788.032**

(a) 24,233,364 TL of the current annual period balance is related to Bayındır Madencilik.

Consolidated Financial Statements and Footnotes

İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Footnotes To The Consolidated Financial Statements As Of December 31, 2010

(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

Note 19 – Intangible Fixed Assets

Current Annual Reporting Period

	01.01.2010	Inflows	Outflows	31.12.2010
Cost				
Exploration expenses	1.618.457	157.412	-	1.775.869
Rights	7.845.687	545.208	-	8.390.895
Other intangible fixed assets	971.722	218.378	-	1.190.100
Total	**10.435.866**	**920.998**	**-**	**11.356.864**
Less: accumulated amortization				
Exploration expenses	(1.618.457)	(139.322)	-	(1.757.779)
Rights	(7.622.980)	(154.048)	-	(7.777.028)
Other intangible fixed assets	(895.013)	(33.849)	-	(928.862)
Total	**(10.136.450)**	**(327.219)**	**-**	**(10.463.669)**
Intangible Fixed Assets (net)	**299.416**			**893.195**

Previous Annual Reporting Period

	01.01.2009	Inflows	Outflows	31.12.2009
Cost				
Exploration expenses	1.215.851	402.606	-	1.618.457
Rights	9.032.550	-	(1.186.863)	7.845.687
Other intangible fixed assets	1.060.397	28.687	(117.362)	971.722
Total	**11.308.798**	**431.293**	**(1.304.225)**	**10.435.866**
Less: accumulated amortization				
Exploration expenses	(1.215.851)	(402.606)	-	(1.618.457)
Rights	(7.251.459)	(1.281.041)	909.520	(7.622.980)
Other intangible fixed assets	(859.279)	(53.380)	17.646	(895.013)
Total	**(9.326.589)**	**(1.737.027)**	**927.166**	**(10.136.450)**
Intangible Fixed Assets (net)	**1.982.209**			**299.416**

The gross book values of the fully amortized intangible fixed assets that the Company still uses are given below:

	31.12.2010
Exploration expenses	1.757.779
Rights	5.430.987
Other intangible fixed assets	872.548
Total	**8.061.314**

There are no pledges, liens, or restrictions on the intangible fixed assets of the Company. (December 31, 2009: none.)

The Group performed an impairment test on its intangible fixed assets and decided that no impairment existed as of December 31, 2010.

Note 20 – Goodwill

Current Annual Reporting Period

	Date of Acquisition	Share of Equity per Shareholder	Cost / Valuation Amount	Positive Goodwill
Resulting from 7% of Ihlas Madencilik stock acquired by the Company from Ihlas Holding A.Ş. (*)	31.12.2010	2.863.493	40.487.761	**37.624.268**
Resulting from Mir Maden stock acquired by Ihlas Madencilik (**)	15.01.2008	(145.202)	3.836.876	**3.982.078**
Ihlas Madencilik stock held by the Company	12.07.2007	(86.002)	38.000	**124.002**
Total				**41.730.348**

(*) The Company purchased 7 percent share of Ihlas Madencilik stock held by Ihlas Holding A.Ş., the Parent company, for $25,388,708 (40,413,746 TL) based on the valuation report of AGD Bağımsız Denetim ve Danışmanlık S.M.M.M. A.Ş., on January 14, 2009. The goodwill in the amount of 39,645,035 TL is presented in the "Previous Annual Reporting Period" section of Note 3.

The Company asked BD Bağımsız Denetim ve YMM A.Ş. to make a valuation for Ihlas Madencilik based on the discounted value of its future cash flows at an 11.92 percent discounted rate to determine whether any impairment existed in goodwill as of December 31, 2010, according to TAS 36, and concluded that no impairment occurred in goodwill based on the December 31, 2010, report of BD, which determined that the Company's 7 percent share was valued at $26,188,720 (40,487,761 TL) using the discounted future cash flows method. As of December 31, 2011, 7 percent of the Company's equity equates to 2,863,493 TL. As a result, impairment calculations regarding goodwill are shown in the table below:

Value of 7% of Ihlas Madencilik based on the valuation report dated December 31, 2010	40.487.761
7% of Ihlas Madencilik's Equity as of December 31, 2010	2.863.493
Positive Goodwill as of December 31, 2010	37.624.268
Positive Goodwill as of December 31, 2009	39.645.035
Provision for Impairment in Goodwill as of December 31, 2010 (-)	**(2.020.767)**

Consolidated Financial Statements and Footnotes
İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Footnotes To The Consolidated Financial Statements As Of December 31, 2010
(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

Fair values of all definable assets and liabilities as of December 31, 2010 are as follows:

Cash and cash equivalents	7.811.108
Other receivables	414.286
Other current assets	4.277.658
Financial fixed assets	3.853.472
Tangible fixed assets	959.616
Intangible fixed assets	542.864
Deferred tax assets	3.965.158
Other fixed assets	21.000.000
Financial liabilities (short and long term)	(378.898)
Trade payables (short and long term)	(1.084.330)
Severance provisions	(14.079)
Deferred tax liabilities	(174.602)
Other short-term and long-term liabilities	(265.203)
Fair Value of Acquired Net Assets	**40.907.050**
Fair value per share amount of acquired net assets (7%) (1)	2.863.493
Share value of the purchased 7% based on the valuation report dated December 31, 2010 (2)	40.487.761
Positive Goodwill (2-1)	**37.624.268**

(**)The Company asked Güreli Yeminli Mali Müşavirlik ve Bağımsız Denetim Hizmetleri A.Ş. to make a valuation for the goodwill resulting from the Mir Madencilik shares owned by Ihlas Madencilik based on the discounted value of its future cash flows at a 12 percent discounted rate to determine whether any impairment existed in goodwill as of December 31, 2010, in accordance with TAS 36, and concluded that no impairment occurred in goodwill based on the December 31, 2010 report, which determined that the Company's 99 percent share was valued at 8,799,034 TL, using the discounted future cash flows method.

Value of 99% of Mir Madencilik based on the valuation report dated December 31, 2010	8.799.034
99% of Ihlas Madencilik's equity as of December 31, 2010	657.952
Positive Goodwill as of December 31, 2010	8.141.082
Positive Goodwill as of December 31, 2009	3.982.078
Provision for Impairment in Goodwill as of December, 31 2010 (-)	-

Previous Annual Reporting Period

	Date of Acquisition	Share of Equity per Shareholder	Cost	Positive goodwill
Resulting from 7% of Ihlas Madencilik stock acquired by the Company from Ihlas Holding A.Ş. (*)	14.01.2009	768.711	40.413.746	**39.645.035**
Resulting from Mir Maden stock acquired by Ihlas Madencilik	15.01.2008	(145.202)	3.836.876	**3.982.078**
Resulting from Ihlas Madencilik stock acquired by the Company	12.07.2007	(86.002)	38.000	**124.002**
Total				**43.751.115**

(*)The Company purchased 7 percent share of Ihlas Madencilik stock held by Ihlas Holding A.Ş., the Parent company, for $25,388,708 (40,413,746 TL) based on the valuation report of AGD Bağımsız Denetim ve Danışmanlık S.M.M.M. A.Ş., on January 14, 2009. The goodwill in the amount of 39,645,035 TL is presented in the table above and in the "Previous Annual Reporting Period" section of Note 3.

The Company asked AGD Bağımsız Denetim ve Danışmanlık S.M.M.M. A.Ş. to make a valuation for Ihlas Madencilik based on the discounted value of its future cash flows at an 11.92 percent discounted rate to determine whether any impairment existed in goodwill as of December 31, 2009, according to TAS 36, and concluded that no impairment occurred in goodwill based on the December 31, 2010 report of AGD, which determined that the Company's 7 percent share was valued at $27,705,550 (41,716,247 Turkish lira), using the discounted future cash flows.

Note 21 – Government Incentives and Aid

None (December 31, 2008-9: None)

Note 22-23 – Provisions, Contingent Assets and Liabilities, and Commitments

-Provisions:

	31.12.2010	31.12.2009
Long term	**2.137.629**	**1.615.842**
Warranty provisions	2.033.681	1.507.294
Claim provisions	103.948	108.548

Transactions made within the reporting period for warranty and claim provisions are shown in the table below:

	Warranty Provisions
Balance as of January 1, 2010	**1.507.294**
Provisions set in the period	2.033.681
Reversed warranty provisions	(1.507.294)
Balance as of December 31, 2010	**2.033.681**

	Claim Provisions
Balance as of January 1, 2010	**108.548**
Provisions set in the period	103.948
Reversed claim provisions	(108.548)
Balance as of December 31, 2010	**103.948**

Consolidated Financial Statements and Footnotes
İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Footnotes To The Consolidated Financial Statements As Of December 31, 2010
(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

- Contingent Assets and Liabilities and Commitments:

a) Guarantees, pledges and mortgages issued by the Group:

Tables related to Guarantees, Pledges and Mortgages ("GPM") of the Company as of December 31, 2010, and December 31, 2009, are as follows:

GPMs Issued by the Group (December 31, 2010)	USD Balances	EUR Balances	TL Balances	TOTAL (TL)
A. Total GPMs issued in the Parent company's own favor (Note a-2)	**154.350**	**442.229**	**374.000**	**1.518.796**
B-1. Total GPMs issued in favor of subsidiaries and affiliates included in full consolidation of the Parent company (Note a-2)	**80.837**	**27.356.516**	**182**	**56.181.393**
B-2. Total GPMs subsidiaries and affiliates included within the full consolidation issued in their own favor and to each other (Notes a-1 and a-2)	**-**	**230.000**	**4.553.584**	**5.024.877**
C. Total GPMs issued to cover other third-party obligations for the Group to sustain its regular trade operations (Note b)	**-**	**-**	**-**	**-**
D.Total other GPMs issued	**20.112.230**	**1.403.000**	**28.905.854**	**62.874.249**
i. Total GPMs issued in favor of parent company (Notes a-1 and a-2)	12.850.000	1.178.000	14.776.800	37.056.740
ii. Total GPMs issued in favor of other Group companies not covered in items B and C (Note a-2)	7.262.230	225.000	14.129.054	25.817.509
iii. Total GPMs issued in favor of third parties not covered in item C (Note b)	-	-	-	-
Total	**20.347.417**	**29.431.745**	**33.833.620**	**125.599.315**
Total Company equity				231.487.629
Share of total GPMs issued by the Group in the Group's equity				**%27**

GPMs Issued by the Group (December 31, 2009)	USD Balances	EUR Balances	TL Balances	TOTAL (TL)
A. Total GPMs issued in the parent company's own favor (Note a-2)	**826.487**	**994.187**	**264.000**	**3.656.184**
B-1. Total GPMs issued in favor of subsidiaries and affiliates included in full consolidation of the parent company (Note a-2)	**-**	**27.200.000**	**-**	**58.760.160**
B-2. Total GPMs subsidiaries and affiliates included within the full consolidation issued in their own favor and to each other (Notes a-1 and a-2)	**-**	**230.000**	**12.860.078**	**13.356.947**
C. Total GPMs issued to cover other third-party obligations for the Group to sustain its regular trade operations (Note b)	-	-	-	-
D. Total other GPMs issued	**15.112.230**	**2.649.500**	**25.960.625**	**54.438.824**
i. Total GPMs issued in favor of parent company (Notes a-1 and a-2)	12.850.000	2.424.500	21.501.019	46.086.911
ii. Total GPMs issued in favor of other Group companies not covered in items B and C (Note a-2)	2.262.230	225.000	4.459.606	8.351.913
iii. Total GPMs issued in favor of third parties not covered in item C (Note b)	-	-	-	-
Total	**15.938.717**	**31.073.687**	**39.084.703**	**130.212.115**
Total Company equity				224.172.757
Share of total GPMs issued by the Company in the Company's equity				**%24**

(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

a-1) Total existing mortgages and guarantees issued by the Company on its asset values:

The Company mortgaged real estate according to the book value in its assets as "Ihlas Holding Medya Plaza Kat: 3, Independent Section 16," as collateral security for bank loans utilized by Ihlas Holding A.Ş. for $6,000,000 (December 31, 2009: $6,000,000).

In addition, the Company mortgaged real estate according to the book value in its assets as "Ihlas Holding Medya Plaza Kat: 2, Independent Section 15," as collateral security for bank loans utilized by Ihlas Holding A.Ş. in favor of T. Garanti Bank for the first lien of 10,000,000 TL and in favor of Denizbank A.Ş. for the second lien of $6,750,000 (December 31, 2009: 10,000,000 TL and $6,750,000).

In addition, Mir Maden, a Group company, mortgaged property as collateral security for obligations of Ihlas Madencilik in favor of Garanti Leasing for EUR 230,000 (December 31, 2009: EUR 230,000). (Classified under the GPMs issued by the subsidiaries in their own favor and to other subsidiaries included within the full consolidation).

Bayındır Madencilik, a Group company, mortgaged real estate properties for 490,000 TL (December 31, 2009: 490,000 TL). (Classified under the GPMs issued by the subsidiaries in their own favor and to other subsidiaries included within the full consolidation).

a-2) Non-mortgage collaterals and pledges issued by the Company:

Type	31.12.2010	31.12.2009
Letter of Credit liabilities (USD) (Classified under the GPMs issued in the own favor of the arent company's own favor)	154.350	826.487
Letter of Credit liabilities (EUR) (Classified under the GPMs issued in the own favor of the parent company)	442.229	994.187
Guarantee (USD) (Classified under the GPMs issued in favor of the parent company)	100.000	100.000
Guarantee (USD) (Classified under the GPMs issued in favor of other Group companies)	7.262.230	2.262.230
Guarantee (USD) (Classified under the GPMs issued in favor of subsidiaries included in the full consolidation)	80.837	-
Guarantee (EUR) (Classified under the GPMs issued in favor of the parent company)	1.178.000	2.424.500
Guarantee (EUR) (Classified under the GPMs issued in favor of other Group Companies)	225.000	225.000
Guarantee (EUR) (Classified under the GPMs issued in favor of subsidiaries included in the full consolidation)	156.516	-
Guarantee (TL) (Classified under the GPMs of the parent company)	4.776.800	7.421.019
Guarantee (TL) (Classified under the GPMs issued in favor of Group companies)	14.129.054	4.459.606
Guarantee (TL) (Classified under the GPMs of subsidiaries included in the full consolidation)	182	-
Letter of Guarantees Issued (TL) (Classified under the GPMs Issued in favor of the parent company)	374.000	264.000
Letter of Guarantees Issued (TL) (Classified under the GPMs issued in favor of subsidiaries included in the full consolidation)	119.645	121.444
Guaranteed Checks and Bills issued (TL) (Classified under the GPMs issued in favor of subsidiaries included in the full consolidation)	2.248.634	12.248.634
Lien Annotations Issued (Classified under the GPMs issued in favor of subsidiaries included in the full consolidation)	1.695.305	-

Detes Enerji, one of the Company's subsidiaries, signed a purchase and consultancy services contract for EUR 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 EUR 3,000,000 to Envirotherm GmbH in 2008. The Company's guarantee amount resumes to be EUR 27,200,000 as of the reporting date (December 31, 2009: EUR 27,200,000). (Classified under the GPMs Issued in Favor of the Group companies included in the full consolidation.)

Moreover, the Company had issued a lot of 8,000,000 IHLAS shares to Lehman Brothers Finance S.A. as deposit for the signed options contract (Recorded in the December 31, 2009, GPMs table under "GPMs Issued in Favor of the Parent Company"). However, as Lehman Brothers Finance S.A. is in a state of insolvency, the Company has filed for an interim court injunction on the 8,000,000-share deposit to prevent any possible risks; the court granted an interim injunction on March 10, 2009. Following the injunction request, on March 13, 2009, the Company filed for either the return of the deposit at the original share value or for the return of the deposit at the share value on the actual date of return if unable to pay the original share value. The proceedings on April 22, 2010, concluded that the lot of 8,000,000 IHLAS shares be returned to the Company. Therefore, these shares have not been included under the "Issued Guarantees" in the December 31, 2010, dated GPMs Table.

a-3) Furthermore:

- Acting on its own behalf, the Company restricted time deposit balances of 38,500,000 TL in the principal amount as collateral for loans to Ihlas Pazarlama A.Ş., one of the Company's affiliates.
- Acting on its own behalf, Ihlas Madencilik, a Group company, restricted time deposit balances of 7,800,000 TL as collateral for loans to Ihlas Pazarlama A.Ş., one of the Company's affiliates.
- Bayındır Madencilik, a Group company, restricted bank deposits in the amount of 130,185 TL due to pending foreclosure litigation.

b) GPMs issued to guarantee third-party liabilities in order to conduct regular operations: None (December 31, 2009: None).

GPMs issued to third parties and are not covered under item C in the GPMs Table: None (December 31, 2009: None).

c) Total mortgages and other collaterals were received by the Company to secure receivables of $28,451,000. (This total comprises checks and promissory notes received from company dealers and Ihlas Pazarlama A.Ş. operating under distribution agreements.) (December 31, 2009: $28,451,000).

In addition, 17,620,000 Vakıfbank stocks held by Enver Ören, a shareholder in Ihlas Holding A.Ş., are pledged in favor of Ihlas Ev Aletleri. (December 31, 2009: 17,620,000 shares)

d-) A summary of claims and foreclosure litigation in favor of the Company as of December 31, 2010, are shown in the table below:

	Quantity	Amount
Pending litigation initiated by the Company	3	51.400
Foreclosure proceedings filed by the Company	2	63.450
Pending claims against the Company	29	539.872
Pending foreclosure proceedings against the Company	4	13.776
Pending claims filed by Ihlas Madencilik, a Group company	2	217.554
Pending claims filed against Ihlas Madencilik, a Group company	4	537.791
Pending claims filed against Mir Madencilik, a Group company	1	-
Pending claims filed by Mir Madencilik, a Group company	7	5.108.188
Pending foreclosure proceedings pursued by Bayındır Madencilik, a Group company	9	455.072
Pending claims filed against Bayındır Madencilik, a Group company	16	2.588.566
Foreclosure proceedings against Bayındır Madencilik, a Group company	35	(*)6.296.991

(*) 2,438,618 TL of this amount is also listed under Pending Claims Filed against Bayındır Madencilik, a Group company.

In addition, Bayındır Madencilik (formerly Okan Tekstil) was entitled as joint guarantor for some loans issued to Okan Group in the previous years. According to the protocol signed with RCT Varlık Yönetim A.Ş. on May 24, 2005, Bayındır Madencilik became a joint debtor and a solidary obligee due to its joint guarantorship through a means that is not based on an asset-liability transaction. As of 2009, there are pending foreclosure proceedings pursued by RCT Varlık Yönetim A.Ş. against Bayındır Madencilik for 7,343,000 TL. Bayındır Madencilik has paid $800,000 to RCT Varlık Yönetim A.Ş. on May 20, 2010. As a result of this payment, RCT Varlık Yönetim A.Ş. has discharged the protocol signed with Okan Group and the foreclosure proceedings against Bayındır Madencilik. Moreover, RCT Varlık Yönetim A.Ş. has also submitted the necessary disclaimers and release documents to remove the mortgages placed on the fixed assets belonging to Bayındır Madencilik. Bayındır Madencilik has petitioned for a responsibility suit to be filed against the former executives of Bayındır Madencilik (Okan Tekstil) regarding this debt.

Moreover, the Company had issued a lot of 8,000,000 IHLAS shares to Lehman Brothers Finance S.A. as deposit for the signed options contract. However, as Lehman Brothers Finance S.A. is in a state of insolvency, the Company has filed for an interim court injunction on the 8,000,000-share deposit to prevent any possible risks; the court granted an interim injunction on March 10, 2009. Following the injunction request, on March 13, 2009, the Company filed for either the return of the deposit at the original share value or for the return of the deposit at the share value on the actual date of return if unable to pay the original share value. The proceedings on April 22, 2010, concluded that the lot of 8,000,000 IHLAS shares be returned to the Company. This ruling has been conveyed to the defendant. The defendant has 15 days from the date that the notification has been sent to appeal. No appeal has been made as of the date of this report and the result of the notification and the finalization of the ruling are both pending.

The Company reserved total provisions of 103,948 TL (December 31, 2009: 108,548 TL) for the claims brought against the Company as of December 31, 2010, and did not set aside any provisions for claims where the probability of winning a case was strong.

Note 24 – Employee Benefits

	31.12.2010	31.12.2009
Short term	-	-
Long term	**1.092.263**	**1.044.564**
Severance Provisions	1.092.263	1.044.564

According to the Labor Act, the Company is legally required to pay severance 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 (minimum). As of December 31, 2009, the severance amount is equivalent to one month’s salary, not to exceed 2,517.01 TL per year of service (December 31, 2009: 2,365.16 TL).

Currently, no regulations exist for retirement commitments aside from the legal requirements delineated above. No funds were allocated for such a liability since there are no requirements for allocating such funds. Severance 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.

	31.12.2010	31.12.2009
Discounted rate	%4,66	%5,92
Estimated interest rate	%10	%11
Estimated inflation rate (expected salary increase rate)	%5,10	%4,80
Non-payment rate of severance provisions	%3-%11	%3-%10

	31.12.2010	31.12.2009
Provisions as of January 1	**1.044.564**	**880.569**
Payments in the period	(149.886)	(50.391)
Increases/(Decreases) in the period	197.585	214.386
Year-end provisions	**1.092.263**	**1.044.564**

Consolidated Financial Statements and Footnotes
İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Footnotes To The Consolidated Financial Statements As Of December 31, 2010
(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

Note 25 – Retirement Benefit Plans

Currently, no regulations exist for retirement obligations except for the legal regulations explained in detail in Note 24.

Note 26 – Other Assets and Liabilities

	31.12.2010	31.12.2009
Other Current Assets	**22.679.443**	**19.528.490**
Advance payments for purchase orders	17.504.509	16.791.277
- Advance payments to related parties for purchase orders (a)	-	296.286
- Other advance payments for purchase orders (b)	17.504.509	16.494.991
Carry forward VAT	2.198.261	2.116.667
Work related advance payments	2.197.712	471.503
Accrued income	522.061	-
Prepaid taxes and funds	156.479	87.846
Prepaid expenses	100.421	61.197
Other fixed assets	**21.038.293**	**21.487.297**
Advance payments (a)(c)	21.038.293	21.487.297
Short-term other liabilities	**10.238.485**	**24.448.504**
Advances received for purchase orders	993.486	15.379.025
- Advances received from related parties for purchase orders (a)	-	16.124
- Other advances received for purchase orders	993.486	15.362.901
TEDAŞ late fees payable (d)	6.664.703	6.047.529
Taxes, duties and other withholding payables	1.617.686	1.097.923
Payables to employees	572.354	468.390
Other tax payables (d)	367.707	134.890
Deferred government receivables	-	763.811
Tez-Is tax payables (d)	-	299.785
Other	22.549	257.151
Long-term other liabilities	-	**174.037**
Deferred government receivables	-	174.037

(a) Details are explained in Note 37.

(b) 12,030,038 TL of this balance in 2010 (31.12.2009:14,748,082 TL) comprises advance payments for purchase made to KWV Operations for purchasing and importing materials and spare parts to manufacture home appliances.

(c) 21,000,000 TL of this balance in 2010 (31.12.2010: 21,000,000 TL) comprise advance payments for purchases made by Ihlas Madencilik, a Group company to purchase the 14th and the 17th sections of the Ihlas Holding Media Plaza that were on the books of Ihlas Pazarlama A.Ş. The titles for these sections were obtained on January 19, 2011; thus, the advance payments have been deducted from the account.

(d) Payables of Bayındır Madencilik, a Group company.

Note 27 – Equity

A. Issued capital

The Company's registered and issued capital consists of 19,137,000,200 shares, each at a registered nominal value of 1 Kr.

As of December 31, 2010, and December 31, 2009, both the Company's registered and issued capital and capital structure were as follows:

Title	31.12.2010 Share (%)	31.12.2010 Share Amount	31.12.2009 Share (%)	31.12.2009 Share Amount
Ihlas Pazarlama Yatırım Holding A.Ş.	17,60	33.681.000	-	-
Ihlas Holding A.Ş. (1)	4,18	8.000.000	21,78	41.681.000
Publicly enlisted	77,97	149.205.723	77,97	149.205.723
Other	0,25	483.278	0,25	483.278
Total	**100,00**	**191.370.001**	**100,00**	**191.370.001**

(1) The Parent company of the Group, Ihlas Holding A.Ş., issued a lot of 8,000,000 (4.18 percent) company shares to Lehman Brothers as a deposit according to an options contract ending on July 24, 2009. Research and analyses conducted by Ihlas Holding A.Ş. revealed Lehman Brothers Holdings Inc., New York, filed for bankruptcy and the options contract of Ihlas Holding A.Ş. with Lehman Brothers Finance S.A. was in a state of insolvency. Accordingly, Ihlas Holding A.Ş. officially initiated the process for the return of the lot of 8,000,000 company shares (IHEVA) issued to Lehman Brothers Finance S.A. as a deposit on November 28, 2008. PricewaterhouseCoopers LLP (PwC) has been appointed as the bankruptcy arbiters of Lehman Brothers Finance S.A., which is in a state of insolvency. An official statement on the Pricewaterhouse Coopers LLP official websiteindicated commercial relations had not been reconciled and ownership of any rights and obligations were indeterminable. Therefore, the Parent company of the Group, Ihlas Holding A.Ş., filed for an interim court injunction on the 8,000,000-share deposit to prevent any possible risks; the court granted an interim injunction on March 6, 2009. Following the injunction request, within the allowed timeframe, on March 13, 2009, the Ihlas Holding A.Ş. filed for the return of the deposit shares, or for the payment of the value of the shares on the date of return if unable to do so. Currently, the lawsuit petition is in the manifestation status. The written notice has been sent to PwC Zurich, who has been appointed as the trustee in bankruptcy for Lehman Brothers Finance S.A. Ihlas Holding A.Ş. is waiting for the return of this notification; the court date is set for May 3, 2011.

	31.12.2010	31.12.2009
B. Stock Issue Premiums	6.534.581	6.534.581
C. Revaluation Reserves (*)	1.984.217	-
D. Cross-Ownership Capital Adjustments (-)	-	-
E. Translation Differences	-	-

(*) This is the revaluation resulting from the valuation of Ihlas Gazetecilik A.Ş., owned by the Company, shares at stock exchange rate.

Consolidated Financial Statements and Footnotes

İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Footnotes To The Consolidated Financial Statements As Of December 31, 2010

(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

F. Statutory Reserves from Net Income

Allocated as primary reserves is 5 percent of the net income in the statutory financial statements until this percentage reaches 20 percent of the total revalued issued capital. Allocated as supplementary reserves are 10 percent of the total dividends that exceed 5 percent of the revalued capital. According to the Turkish Commercial Code, statutory reserves may be used only for net losses and may not be used for any other purpose so long as the reserves do not exceed 50 percent of the issued capital.

	31.12.2010	31.12.2009
Reserves from Profits	**1.680.909**	**1.453.715**
Statutory Reserves (*)	1.546.620	1.319.426
Special Reserves	134.289	134.289

(*) Explanations and entries related to the increase in statutory reserves in the current period are as follows:

	Statutory Reserves 31.12.2010
Opening Balance	**1.319.426**
Statutory reserves from the legal profit of the arent company	227.163
Subsidiary effective share exchanges	31
Year-end Balance	**1.546.620**

G. Profit/(Loss) from Previous Years

According to established practices before January 1, 2008, "Capital, Shares, Issue Premiums, Statutory Reserves, Special Reserves, and Excess Reserves" under equity were recognized as book values on the balance sheet after adjusting the financial statements according to the inflation rate. Moreover, the totals of adjusted values of these items were recognized as book values in the "Inflation Adjustment Differences in Equity" account within the equity total. The balances in the "Equity Adjustment Differences" account representing contributions from every equity account would only be used in capital increases through bonus issues or as the offset account for loss deductions, while the recognized values of excess reserves would be used in capital increases through bonus issues as well as in cash dividends or loss deductions.

"Issued Capital, Restricted Reserves from Profit and Share Premiums" must be recognized according to statutory book values according to the Capital Markets Board Communiqué Serial XI, No: 29, effective January 1, 2008, and the explanations of board regarding the Communiqué. Valuation differences arising from the implementation of this Communiqué must be recognized as book values under one of the following conditions:

- Reflected in a new "Equity Adjustment Differences" account to be added after the "Issued Capital" account if arising from "Issued Capital," but not yet reflected in the issued capital; or
- Recognized as the book value under the "Profit/loss from Previous Years" account if arising from "Restricted Reserves from Profit" or "Share Premiums," but has yet to be used to source dividends and capital increases.

Other equity items must be recognized as book values specified by the Capital Markets Board Financial Reporting Standards.

As a result of the Company's operations in 2009, net profit of 4,543,263 TL was generated for the reporting period in the financial statements prepared according to the Tax Procedure Law (TPL). Based on this, the Company's General Assembly on April 21, 2010, noted that the IAS/IFRS consolidated financial statements of the Company reflected a net period profit of 2,080,698 TL and that the 20 percent of the 4,543,263 TL net income for the period reflected in the statutory accounting records fell below 5 percent of the Company's issued capital. As a result, the assembly decided, according to standing regulations and policies, not to distribute the amount in question and to retain the amount in full in the Company, setting aside 227,163 TL of this amount for primary reserves corresponding to 5 percent of the statutory net profit, while carrying a balance of 4,316,100 TL in excess reserves. Moreover, the Assembly decided that of the 2,080,698 TL net period profit generated according to the consolidated financial statements prepared in line with IAS/IFRS, 227,163 TL is set aside for primary reserves and the remaining 1,853,535 TL for setting off from the losses from previous years. As a result, changes to the profit and loss account in the previous reporting period were as follows:

(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

	Profit/(Loss) from previous years 31.12.2010
Opening Balance	**(7.727.831)**
To be offset from 2009 profit	2.080.698
Statutory reserves from statutory profits of parent company	(227.163)
Statutory reserves from statutory profits of subsidiaries	(31)
Year-End Balance	**(5.874.327)**

According to Capital Markets Board (CMB) Decree No. 2008/6 published in the "Weekly Bulletin", effective January 1, 2008, minimum payout ratio for companies with stocks publicly traded on the stock exchanges is 20 percent, which is also identified in the CMB Communiqué Serial: IV, No: 27 on "Principles Regarding Distribution of Dividends and Interim Dividends to be Followed by Publicly Held Joint Stock Corporations Subject to Capital Market Law" Article 5, Paragraph 1. As a result, the Company's primary dividend cannot be less than 20 percent of the distributable profit remaining after statutory reserves, taxes, fund and financial payments, and previous year losses, if any, have been deducted from the current year profit.

Moreover, effective January 1, 2008, should the primary dividend be less than 5 percent of the Company's issued capital; this amount can be retained within the Company instead of being distributed. Accordingly, the Company's distributable profit after statutory reserves, taxes, fund and financial payments, and previous year losses, if any, have been deducted from the Company's current year profit based on IAS/IFRS and statutory accounting records are shown in the table below. As a result, 20 percent of the Company's distributable profit based on IAS/IFRS is 626,845 TL. Since this amount is less than 5 percent of the Company's issued capital, it should remain within the Company.

	According to IAS/IFRS	According to statutory records (solo)
Period profit (excluding minority shares)	9.265.657	5.427.038
Tax payables	(48.025)	(1.245.392)
Net period profit/(loss)	9.217.632	4.181.646
Losses from previous years	(5.874.327)	-
Statutory reserves	(209.082)	(209.082)
Net distributable period profit	**3.134.223**	**3.972.564**

H. Minority Shares

	31.12.2010	31.12.2009
Opening Balance	30.461.593	13.589.629
Capital increases	-	22.605.867
Subsidiary effective share exchanges	15.367	(2.951.232)
Non-parent profit/(loss)	(3.902.344)	(2.782.671)
Year-End Balance	**26.574.616**	**30.461.593**

Note 28 – Sales and Cost of Sales

	01.01-31.12.2010	01.01-31.12.2009
Domestic sales	90.067.005	78.690.933
Export sales	11.878.810	11.723.495
Other sales	133.105	323.678
Total gross sales	**102.078.920**	**90.738.106**
Sales discounts (-)	(154.327)	-
Net sales	**101.924.593**	**90.738.106**
Cost of sales (-)	(94.162.232)	(79.419.532)
GROSS SALES PROFIT	**7.762.361**	**11.318.574**

Units sold in the reporting period for each main sales group of the Company are as follows:

Product Groups	01.01-31.12.2010	01.01-31.12.2009
Home appliances group	**Quantity (Units)**	**Quantity (Units)**
Electric water heaters group work in progress	192.714	226.716
Electric water heaters Group	189.694	226.511
Water purifiers group	92.978	83.227
Cleaning robots	67.075	82.479
Cleaning robots work in progress	55.165	61.501
Electric heaters	28.779	-
Vacuum cleaners	6.859	-
Scales	4.016	5.422
Minerals group	**Quantity (Kg)**	**Quantity (Kg)**
Zinc concentrate	329.000	-

Units produced in the reporting period for each main sales group of the Company are as follows:

Product Groups	01.01-31.12.2010	01.01-31.12.2009
Home appliances group	**Quantity (Units)**	**Quantity (Units)**
Instant water heaters group work in progress	194.314	226.538
Instant water heaters group	189.711	226.302
Water purifiers group	92.978	83.227
Cleaning robots	66.879	82.679
Cleaning robots work in progress	55.165	61.501
Electrical room heaters	28.779	-
Vacuum cleaners	8.386	-
Scales	4.016	5.422
Minerals group	**Quantity (Kg)**	**Quantity (Kg)**
Zinc concentrate	555.000	210.000

Note 29 – Operating Expenses

	01.01-31.12.2010	01.01-31.12.2009
Marketing, sales, and distribution expenses	(2.782.182)	(2.574.158)
Administrative expenses	(7.050.551)	(10.004.256)
R&D expenses	(843.220)	(815.906)
Total operating expenses	**(10.675.953)**	**(13.394.320)**

Consolidated Financial Statements and Footnotes
İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Footnotes To The Consolidated Financial Statements As Of December 31, 2010
(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

Note 30 – Segmented Expenses

	01.01-31.12.2010	01.01-31.12.2009
Marketing, sales, and distribution expenses	**(2.782.182)**	**(2.574.158)**
Warranty expenses	(787.385)	(1.152.198)
Employee benefits	(555.473)	(453.882)
Sample distribution expenses	(433.849)	-
Transportation and distribution expenses	(299.764)	(225.557)
TSE Patent etc expenses	(160.297)	(35.088)
Advertising expenses	(154.829)	(168.979)
Exporting expenses	(124.834)	(234.308)
Domestic and international travel expenses	(69.917)	(44.504)
Other marketing and sales expenses	(195.834)	(259.642)
General administrative expenses	**(7.050.551)**	**(10.004.256)**
Employee benefits	(2.889.720)	(2.897.399)
RCT Varlık A.Ş. Protocol (a)(b)	(1.259.600)	-
Building cleaning and security expenses	(453.874)	(417.445)
Rent expenses	(324.059)	(254.856)
Provisional expenses (b)	(271.435)	(538.640)
Claim expenses (a)	(214.687)	(911.841)
Repair, maintenance, and energy expenses	(184.649)	(199.094)
Depreciation and amortization expenses	(151.377)	(2.421.289)
Notary Public, taxes, duties and other such monies	(116.400)	(420.280)
Auditing expenses	(113.396)	(102.010)
Capital increase and CMB, CRA, and ISE listing expenses	(110.834)	(525.583)
Insurance expenses	(98.440)	(83.766)
Severance provision expenses	(88.722)	(163.995)
Communication and stationary expenses	(82.630)	(76.265)
Deferred government receivables provisions Expense (a)	(78.319)	(188.987)
Domestic and international travel expenses	(71.759)	(22.411)
Mineral analysis expenses	(56.309)	-
Late fees, fines paid	-	(217.491)
Other administrative expenses	(484.341)	(562.904)
Research and development expenses	**(843.220)**	**(815.906)**
Employee benefits	(689.698)	(522.724)
Project expenses	(74.051)	(223.536)
Other research expenses	(79.471)	(69.646)
Operating expenses	**(10.675.953)**	**(13.394.320)**

(a) Expenses related to Bayındır Madencilik.
(b) Bayındır Madencilik (formerly Okan Tekstil) was entitled as joint guarantor for some loans issued to Okan Group in the previous years. According to

the protocol signed with RCT Varlık Yönetim A.Ş. on May 24, 2005, Bayındır Madencilik became a joint obligee and a solidary obligee due to its joint guarantorship through a means that is not based on an asset-liability transaction. As of December 31, 2009, there are pending foreclosure proceedings pursued by RCT Varlık Yönetim A.Ş. against Bayındır Madencilik for 7,343,000 TL. Bayındır Madencilik has paid $800,000 to RCT Varlık Yönetim A.Ş. on May 20, 2010. As a result of this payment, RCT Varlık Yönetim A.Ş. has discharged the protocol signed with Okan Group and the foreclosure proceedings against Bayındır Madencilik. Moreover, RCT Varlık Yönetim A.Ş. has also submitted the necessary disclaimers and release documents to remove the mortgages placed on the fixed assets belonging to Bayındır Madencilik. Bayındır Madencilik has petitioned for a responsibility suit to be filed against the former executives of Bayındır Madencilik (Okan Tekstil) regarding this debt.

Depreciation and Amortization Expenses

	01.01-31.12.2010	01.01-31.12.2009
Tangible fixed assets		
Production costs	(1.412.515)	(1.032.580)
General administrative expenses	(117.526)	(684.534)
Other operating expenses	(996.291)	(1.165.010)
Research and development expenses	(67.225)	-
Total depreciation expenses	**(2.593.557)**	**(2.882.124)**
Intangible fixed assets		
Production costs	(323.368)	-
General administrative expenses	(33.851)	(1.736.755)
Sales and distribution expenses	-	(272)
Other operating expenses	**(327.219)**	**(1.737.027)**

Employee Benefits

	31.12.2010	31.12.2009
Marketing, sales and distribution expenses	**(555.473)**	**(453.882)**
Gross salary expenses	(470.946)	453.882
Severance provisions	-	-
Other	(84.527)	-
General administrative expenses	**(2.978.442)**	**(3.061.394)**
Gross salary expenses	(2.471.093)	(2.746.199)
Severance provisions	(88.722)	(163.995)
Other	(418.627)	(151.200)
R&D expenses	**(689.698)**	**(522.724)**
Gross salary expenses	(651.256)	(522.724)
Severance provisions	-	-
Other	(38.442)	-

Consolidated Financial Statements and Footnotes

İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Footnotes To The Consolidated Financial Statements As Of December 31, 2010

(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

Note 31 – Other Operating Income and Expenses

	31.12.2010	31.12.2009
Other Income:	**18.814.050**	**19.552.022**
Share revaluations gains	11.466.000	2.400.000
Reversed warranty provisions	1.507.294	1.259.617
Reversed claim provisions	108.548	1.234.624
Other reversed provisions (a)	1.510.704	2.198.885
Property revaluation gains	1.497.582	1.142.869
Revaluation of long-term securities	1.354.869	-
Rent income	867.808	1.388.475
Fixed asset sales profit	143.942	-
Cancelled sales option obligations	-	4.933.334
Claims income (b)	-	4.584.655
Other	357.303	409.563

	31.12.2010	31.12.2009
Other Expenses	**(12.930.505)**	**(14.555.326)**
Cancelled claims income (b)	(4.621.644)	-
Warranty provisions	(2.033.681)	(1.507.294)
Impaired Goodwill provisions	(2.020.767)	-
Idle capacity expenses	(1.409.632)	(1.330.645)
Cancelled revaluation of long-term securities	(1.354.869)	-
Provisions for shares impairment	(865.775)	-
Doubtful trade receivables provisions	(275.660)	(1.997.401)
Claims provisions	(103.948)	(2.894.494)
Expenses for cancelled exploration permits	(50.378)	-
Claims expenses	(36.989)	-
Cancelled sales option obligations	(111.774)	(6.224.000)
Contractual losses	-	(382.252)
Other	(82.377)	(219.240)

(a) 479,283 TL of this income in 2010 pertains to Bayındır Madencilik (2009: 594,775 TL).

(b) The Capital Markets Board"Weekly Bulletin", dated January 7-11, 2008, stated that the accounting records of Bayındır Madencilik were found to misrepresent the facts related to the 1,511,000 TL collected from Okan Holding A.Ş. during the capital increase in 2003, then paid to Ferhat Tekstil Gıda Ürünleri İthalat İhracat Marketing San. ve Tic. A.Ş. (Ferhat Tekstil) and to Selyun Tekstil Sanayi ve Ticaret Limited Şirketi. Because of the loss of 1,511,000 TL incurred by Bayındır Madencilik, it was determined that the damages, including the legal interest, would be collected from the executives of the responsible company in one month and the effect of this on the financial statements would be made public through a Disclosure of Special Circumstances report. Bayındır Madencilik filed a plea for a stay of order with the Ankara Sixteenth Administrative Court on April 1, 2008. Upon the court's rejection of the plea (Decree No.

(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

2009/554), Bayındır Madencilik accrued a total of 4,584,374 TL including the principal amount of 1,511,000 TL and interest of 3,073,374 TL in 2009, in line with the Capital Markets Board Decree. However, as the claim CBM filed against Okan Holding and its former executives resulted in favor of the latter party and the action of debt remains devoid of essence, the 4,584,374 TL recorded as income in 2009 was cancelled out by reflected the same amount under other expenses in the current reporting period as Cancelled Claims Income.

Note 32 – Financial Income

	01.01-31.12.2010	01.01-31.12.2009
Interest income	5.480.179	5.719.569
Translation gains	3.225.927	4.044.589
Financial gains from forward sales	154.230	83.739
Profit from sales of securities	1.105	13.770
	8.861.441	**9.861.667**

Note 33 – Financial Expenses

	01.01-31.12.2010	01.01-31.12.2009
Interest expenses	(4.161.394)	(4.313.997)
Translation expenses	(1.326.322)	(4.116.440)
Financial loss from forward purchases	(826.233)	(2.380.876)
Other	(154.132)	-
	(6.468.081)	**(10.811.313)**

Note 34 – Held-for-Sale Fixed Assets and Discontinued Operations

A. Held-for-Sale Fixed Assets

None (December 31, 2009: None)

B. Discontinued Operations

None (December 31, 2009: None).

Note 35 – Tax Assets and Liabilities

A. Tax Assets and Liabilities for the Current Annual Reporting Period

Effective January 1, 2006, the corporate tax rate was reduced to 20 percent. For companies that deduct from their taxable income the investment tax credits carried forward from the previous year, a 30 percent corporate tax rate applies to corporate tax accounts for tax years 2006, 2007, and 2008. However, if the investment tax credits carried forward are not applied, the corporate tax rate remains at 20 percent and the unused investment tax credits are lost.

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.

With the exception of dividends received from investment partnership shares and from mutual fund participation certificates, dividends earned from equity investments in another full taxpaying company are exempt from corporate taxation.

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.

As of December 31, 2010, and December 31, 2009, the main components of tax expenses are as follows:

	31.12.2010	31.12.2009
Tax Liabilities for Reporting Period Income	-	**392.971**
Reporting period corporate tax provisions	1.245.392	946.986
Prepaid taxes and funds (-)	(1.245.392)	(554.015)

Income Statement	01.01-31.12.2010	01.01-31.12.2009
Reporting period corporate tax provisions	(1.245.392)	(946.986)
Deferred taxes (Expense)/Income	1.197.367	(1.726.291)
Tax reflected on the income statement	**(48.025)**	**(2.673.277)**

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.

On the deferred tax assets and liabilities arising from temporary differences, the tax rate to apply (calculated by the liabilities method) is 20 percent.

As of December 31, 2009, and December 31, 2008, the breakdown of accumulated temporary differences and deferred tax assets and liabilities using the tax rates in effect are as follows:

	31.12.2010		31.12.2009	
	Total Temporary Differences	Deferred Tax Assets / Liabilities	Total Temporary Differences	Deferred Tax Assets / (Liabilities)
Deferred Tax Liabilities				
Temporary differences for tangible assets	(8.073.028)	(1.614.606)	(5.506.042)	(1.101.208)
Payables rediscount	(46.144)	(9.228)	(888.575)	(177.715)
Revaluation of stock	(8.055.015)	(1.611.003)	-	-
Gross deferred tax liabilities	**(16.174.187)**	**(3.234.837)**	**(6.394.617)**	**(1.278.923)**
Deferred tax receivables				
Inventories	171.008	34.202	253.116	50.623
Temporary differences for tangible assets	84.013	16.803	-	-
Doubtful receivables provisions	311.323	62.265	988.562	197.712
Temporary differences for intangible assets	7.881.708	1.576.340	7.933.320	1.586.664
Severance provisions	1.092.263	218.453	1.044.564	208.913
Receivables rediscount	503.469	100.694	592.929	118.586
Warranty provisions	2.033.681	406.736	1.507.294	301.459
Claims provisions	103.948	20.790	108.548	21.710
Work related advances	28.097	5.619	193.618	38.724
Deposits and collaterals	24.821	4.964	24.821	4.964
Non-recognized financial losses	19.867.979	3.973.596	3.689.133	737.826
Gross deferred tax receivables	**32.102.310**	**6.420.462**	**16.335.905**	**3.267.181**
Net deferred tax receivables	**15.928.123**	**3.185.625**	**9.941.288**	**1.988.258**

Changes to the net deferred tax assets account are as follows:

	31.12.2010	31.12.2009
January 1 Balance	**1.988.258**	**3.714.548**
Non-recognized deferred taxes income/(expense)	1.197.367	(1.726.291)
End-of-Period Balance	**3.185.625**	**1.988.258**

For the year ending December 31, 2010, the Group calculated deferred tax assets for deductible financial losses of 19,867,979 TL (December 31, 2009: 3,689,133 TL) shown in the consolidated financial statements prepared as per Capital Markets Board Financial Reporting Standards.

Consolidated Financial Statements and Footnotes
İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Footnotes To The Consolidated Financial Statements As Of December 31, 2010
(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

As of December 31, 2009, maturities of these financial losses are as follows:

	31.12.2010	31.12.2009
2011	221.832	-
2012	1.591.945	-
2013	6.604.261	288.360
2014	6.006.703	3.400.773
2015	5.443.238	-
Total	**19.867.979**	**3.689.133**

Deferred tax assets are reflected in the financial records to the extent potential financial profit exists, benefiting all deductible temporary differences. As of December 31, 2010, the Group's deductible financial losses, for which no deferred tax assets are calculated, amount to 5,636,753 TL (December 31, 2009: 15,270,761 TL) with maturities as follows:

	31.12.2010	31.12.2009
2010	-	939.428
2011	964.878	1.186.710
2012	-	1.591.945
2013	2.339.016	8.654.918
2014	291.799	2.897.760
2015	2.041.060	-
Total	**5.636.753**	**15.270.761**

Reconciliation of "tax expense" with "computed tax expense" (pre-tax profits multiplied by tax rate):

	31.12.2010	31.12.2009
Pre-Tax Profit/(Loss)	**5.363.313**	**1.971.304**
Calculated tax expense (20%)	(1.072.663)	(394.261)
- Impact from non-deductible expenses and revenues	92.933	(134.333)
- Deferred tax assets recognized from the Group's financial losses	-	-
- Year-end effect of Group's statutory tax or deferred taxes not subject to tax losses and adjustments records	931.705	(2.144.683)
Tax Revenue/(Expense)	**(48.025)**	**(2.673.277)**

Note 36 - Earnings per Share

As of December 31, 2010, and December 31, 2009, the "Weighted average units of stock" and the "Profit and loss per share" figures for the Company's stock were calculated as follows:

	01.01-31.12.2010	01.01-31.12.2009
Earnings/(loss) per share from ongoing operations:		
Parent company's share of net profit/(loss) from ongoing operations for the reporting period	9.217.632	2.080.698
"Weighted average units of stock" with 1 Kr nominal value each	19.137.000.200	19.137.000.200
Earnings/(loss) per share from ongoing operations (Kr)	**0,048**	**0,011**
Earnings/(loss) per share:		
Income/(loss) for the period	**5.315.288**	**(701.973)**
Year-end minority shareholder shares of net profit/(loss) (Note 27)	(3.902.344)	(2.782.671)
Year-end parent company's share of net profit/(loss)	9.217.632	2.080.698
"Weighted average units of stock" with 1 Kr nominal value each	19.137.000.200	19.137.000.200
Earnings /(loss) per share (Kr)	**0,048**	**0,011**

No diluted earnings per share were computed since the Group has no common stock subject to dilution potential. (31.12.2009: None.)

No dividends were accrued in the current annual reporting period. (31.12.2009: None.)

Note 37 – Related Party Explanations

A) Group's balances with related parties as of December 31, 2010, and December 31, 2009, are shown in the tables below:

		Trade Receivables
	31.12.2010	31.12.2009
Ihlas Pazarlama A.Ş.	28.281.145	27.226.792
Ihlas Holding A.Ş.	1.803.193	-
Ihlas Haber Ajansı A.Ş.	14.901	-
Promaş Pro. Medya Rek. ve Film Paz. Hiz. A.Ş.	1.814	-
Ihlas Enerji Üretim Dağıtım ve Tic. A.Ş.	488	-
Kuzuluk Kaplıca Tur. A.Ş.	304	528
Detes Maden Ltd.	122	-
Ihlas Gazetecilik A.Ş.	-	1.777.530
Naturel GmbH	-	31.131
Total	**30.101.967**	**29.035.981**

Consolidated Financial Statements and Footnotes

İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Footnotes To The Consolidated Financial Statements As Of December 31, 2010

(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

		Trade Payables
	31.12.2010	31.12.2009
Ihlas Gazetecilik A.Ş.	739.855	178.584
Ihlas Pazarlama A.Ş.	156.735	3.442
Ihlas Genel Ant. Nk. Tic. A.Ş.	117.310	77.334
Ihlas Holding A.Ş.	16.324	-
Ihlas Pazarlama Yatırım Holding A.Ş.	13.154	-
Ihlas Net Ltd. Şti.	981	-
Total	**1.044.359**	**259.360**

		Order Advances Issued
	31.12.2010	31.12.2009
Ihlas Pazarlama A.Ş. (*)	21.000.000	21.000.000
Detes Ltd.	-	259.236
TGRT Haber TV A.Ş.	-	8.480
Ihlas Holding A.Ş.	-	28.570
Total	**21.000.000**	**21.296.286**

		Order Advances Received
	31.12.2010	31.12.2009
Ihlas Holding A.Ş.	-	16.124
Total	**-**	**16.124**

(*) This is the advance payment made issued by Ihlas Madencilik A.Ş., one of the Group companies, for the purchase of Sections 14 and 17 of the Ihlas Holding Headquarters, which is listed as an asset on the books of Ihlas Pazarlama A.Ş. The titles for these sections were obtained on January 19, 2011; thus, the advance payments have been deducted from the account.

(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

Benefits Provided to Key Management Employees

Two types of benefits (short-term and severances) are provided to key management employees to include all managers, whether executive or otherwise, who have the authority and responsibility over planning, directing and controlling the activities of the Company. 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." Severance indemnities provided in the event of employee termination comprise the Group's severance indemnities obligations. These benefits are reported under "Employee Benefits Related Provisions."

The total short-term benefits provided to key employees from January 1 to December 31, 2010, amounted to 490,161 TL (January 1-December 31, 2009: 458,126 TL). The total severance indemnities provided or to be provided to key management employees whose were terminated during the period of January 1 to December 31, 2010, amounted to 122,154 TL (January 1-December 31, 2009: 82,822 TL).

B) Purchases and sales between the Group and its related parties in the years January 1 to December 31, 2010, and January 1 to December 31, 2009, are as follows:

Purchases	01.01-31.12.2010	01.01-31.12.2009
Ihlas Genel Ant. Nk. Tic. A.Ş.	847.657	700.356
Ihlas Gazetecilik A.Ş.	645.166	554.040
Kuzuluk Kaplıca Tur. A.Ş.	378.424	-
Ihlas Holding A.Ş.	281.114	240.395
Ihlas Pazarlama A.Ş.	70.062	871.553
Ihlas Net A.Ş.	22.719	33.248
Ihlas Pazarlama Yatırım Holding A.Ş.	11.310	-
İletişim Magazin A.Ş.	3.139	4.123
Alternatif Medya Görsel İletişim Sis. Ltd. Şti.	-	52.292
Total	**2.259.591**	**2.456.007**

Sales	01.01-31.12.2010	01.01-31.12.2009
Ihlas Pazarlama AŞ.	59.049.424	59.473.074
Ihlas Genel Ant. Nk. Tic. A.Ş.	4.910	64
Cyprus Agency	1.938	-
Kuzuluk Kaplıca Tur. A.Ş.	956	-
Ihlas Gazetecilik AŞ.	-	20.202
Total	**59.057.228**	**59.493.340**

C) Interest, rent and other such invoices received from and paid to related parties from January 1 to December 31, 2010 and January 1 to December 31, 2009 are as follows:

Interest Invoices Issued and Received	01.01-31.12.2010	01.01-31.12.2009
Interest invoice issued to Ihlas Gazetecilik A.Ş.	76.372	-
Interest invoice issued to Ihlas Holding A.Ş.	30.195	-
Interest invoice received from Ihlas Pazarlama A.Ş.	42.699	
Interest invoice received from Ihlas Gazetecilik A.Ş.	27.886	-
Interest invoice received from Ihlas Holding A.Ş.	-	22.419

Rent and Other Invoices Issued and Received	01.01-31.12.2010	01.01-31.12.2009
Rent invoices issued to Ihlas Gazetecilik A.Ş.	211.248	186.831
Rent invoices issued to Ihlas Haber Ajansı A.Ş.	152.520	76.260
Rent invoices issued to Ihlas Pazarlama A.Ş.	55.884	55.884
Rent invoices issued to Promaş Pro. Medya Rek. ve Film Paz. Hiz. A.Ş.	10.829	4.641
Rent invoices issued to Tgrt Digital TV A.Ş.	7.735	13.923
Rent invoices issued to Ihlas Enerji A.Ş.	4.992	3.744
Rent invoices issued to Detes Maden Ltd.	1.248	-
Fixed tangible assets sold to Ihlas Holding A.Ş.	-	37.814
Fixed tangible assets bought from Ihlas Holding A.Ş.	34.342	-
Rent invoices received from Ihlas Gazetecilik A.Ş.	9.205	8.491
Rent invoices received from Ihlas Pazarlama A.Ş.	650	1.702
Fixed tangible assets bought from Ihlas Pazarlama A.Ş.	-	10.640.000

Note 38 – The Nature and Level of Risks from Financial Instruments

As of December 31, 2010, and December 31, 2009, the book values of financial assets and liabilities denominated in foreign currencies before consolidation adjustments are shown below:

	31.12.2010	31.12.2009
A. Assets in foreign currency	6.911.056	9.463.608
B. Liabilities in foreign currency	26.893.249	29.009.407
Net foreign exchange position (A-B)	**(19.982.193)**	**(19.545.799)**

İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Footnotes To The Consolidated Financial Statements As Of December 31, 2010

(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

TABLE OF FOREIGN EXCHANGE POSITION
31.12.2010

	TL Equivalent	USD	EUR	CHF	GBP	SEK
1. Trade receivables	431.676	189.642	67.585	-	-	-
2a. Monetary financial assets	5.196	3.351	8	-	-	-
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	6.474.184	314.485	2.922.254	-	-	-
4. Current assets (1+2+3)	**6.911.056**	**507.478**	**2.989.847**	-	-	-
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)	**6.911.056**	**507.478**	**2.989.847**	-	-	-
10. Trade payables	16.067.923	1.542.912	6.677.157	254	-	-
11. Financial liabilities	10.742.767	3.954.949	2.258.756	-	-	-
12a. Other monetary liabilities	-	-	-	-	-	-
12b. Other non-monetary liabilities	82.559	48.592	3.629	-	-	-
13. Short-term liabilities (10+11+12)	**26.893.249**	**5.546.453**	**8.939.542**	**254**	-	-
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)	**26.893.249**	**5.546.453**	**8.939.542**	**254**	-	-
19. Net assets/(liabilities) position of off balance sheet derivative instruments (19a-19b)	-	-	-	-	-	-
19a. Total hedged assets	-	-	-	-	-	-
19b. Total hedged liabilities	-	-	-	-	-	-
20. Net foreign currency assets/(liabilities) position (9-18+19)	**(19.982.193)**	**(5.038.975)**	**(5.949.695)**	**(254)**	-	-
21. Net assets/(liabilities) position of monetary Items						
(I+2a+5+6a-10-II-12a-14-15-16a)	**(26.373.818)**	**(5.304.868)**	**(8.868.320)**	**(254)**	-	-
22. Total fair value of financial Instruments used for foreign exchange hedge	-	-	-	-	-	-
23. Hedged foreign exchange assets	-	-	-	-	-	-
24. Hedged foreign exchange liabilities	-	-	-	-	-	-
25. Exports	**11.816.743**	**3.692.219**	**3.151.713**	-	-	-
26. Imports	**25.953.291**	**1.602.127**	**11.737.680**	-	**7.959**	-

Consolidated Financial Statements and Footnotes

İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Footnotes To The Consolidated Financial Statements As Of December 31, 2010

(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

TABLE OF FOREIGN EXCHANGE POSITION
31.12.2009

	TL Equivalent	USD	EUR	CHF	GBP	SEK
1. Trade receivables	293.023	173.933	14.411	-	-	-
2a. Monetary financial assets	31.110	4.043	11.583	-	-	-
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	9.139.475	75.503	4.178.026	-	-	-
4. Current assets (1+2+3)	**9.463.608**	**253.479**	**4.204.020**	-	-	-
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)	**9.463.608**	**253.479**	**4.204.020**	-	-	-
10. Trade payables	17.899.944	2.841.754	6.305.026	254	-	-
11. Financial liabilities	6.816.892	4.010.293	360.410	-	-	-
12a. Other monetary liabilities	-	-	-	-	-	-
12b. Other non-monetary liabilities	93.906	62.367	-	-	-	-
13. Short-term liabilities (10+11+12)	**24.810.742**	**6.914.414**	**6.665.436**	**254**	-	-
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	4.198.665	75.315	1.891.063	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-
17. Long-term liabilities (14+15+16)	**4.198.665**	**75.315**	**1.891.063**	-	-	-
18. Total liabilities (13+17)	**29.009.407**	**6.989.729**	**8.556.499**	**254**	-	-
19. Net assets/(liabilities) position of off balance sheet derivative instruments (19a-19b)	-	-	-	-	-	-
19a. Total hedged assets	-	-	-	-		-
19b. Total hedged liabilities	-	-	-	-	-	-
20. Net foreign currency assets/(liabilities) position (9-18+19)	**(19.545.799)**	**(6.736.250)**	**(4.352.479)**	**(254)**	-	-
21. Net assets/(liabilities) position of monetary Items						
(I+2a+5+6a-10-II-12a-14-15-16a)	**(28.591.368)**	**(6.749.386)**	**(8.530.505)**	**(254)**	-	-
22. Total fair value of financial Instruments used for foreign exchange hedge	-	-	-	-	-	-
23. Hedged foreign exchange assets	-	-	-	-	-	-
24. Hedged foreign exchange liabilities	-	-	-	-	-	-
25. Exports	**11.715.172**	**2.848.054**	**3.424.650**	-	-	-
26. Imports	**26.098.995**	**1.686.469**	**10.938.584**	-	**8.895**	-

As of December 31, 2010, and December 31, 2009, the rate of hedging the total foreign currency liability arising from total imports is the coverage rate of the total currency exchange liability by a derivative instrument. Since the Company has no forward transactions, the rate of total foreign currency liability hedging was nil.

Note 39 – Financial Instruments

A. Capital Risk Management

In capital management, the Group aims to increase its profits and market value by efficiently balancing debt and equity, while continuing to sustain operations.

The Group's capital structure is composed of liabilities to include the loans received as explained in Note 8 and equity to include issued capital, capital reserves, restricted profit reserves, and previous years' profits and losses as detailed in Note 27.

The Group's capital costs and risks associated with each capital class are evaluated by the Company's executive management. During these analyses, the executive management evaluates the risks associated with each class of capital as well as the capital costs and presents the risks requiring a board decision to the Board of Directors. The Group aims to diversify its capital structure optimally based on management and under the guidance of the Board of Directors as well as through taking advantage of sourcing alternatives in new liabilities, debt reduction, or capital increases. The Group's new overall strategy differs somewhat from the previous years.

The Group monitors capital adequacy through the net liability/equity ratio. This ratio is calculated by dividing net liability by total equity. Net liability is calculated by subtracting cash and cash equivalents from the total liability to include short and long-term debt, trade, and other payables reported on the balance sheet.

	31.12.2010	31.12.2009
Total payables	57.900.983	64.912.539
Less: cash and cash equivalent assets (Note 6)	(40.183.783)	(34.384.378)
Net Liability	17.717.200	30.528.161
Total Equity(Note 27)	231.487.629	224.172.757
Ratio of Net Liabilities/Equity	**8%**	**14%**

B. Material Accounting Policies

The Group's material accounting policies for financial instruments are shown in "Financial Assets" (Note 2 (D), Summary of Material Accounting Policies."

C. Financial Risk Management Goals

Currently, no risk management model or an active implementation exists for the Group as a whole. Foreign exchange, interest and liquidity risks are among the Group's significant financial risks.

Although no set risk management model is currently used, the Group maintains control over risks through management assessments and practices. The Group aims to establish a corporate risk management model; the efforts to achieve this goal are ongoing.

D. Market Risk

The Group is exposed to financial risks due to operations related to fluctuations in foreign exchange rates (paragraph E below) and interest rates (paragraph F below). The Company's management monitors income and expense breakdowns by foreign currency and liabilities by foreign currency and fixed and variable interest rates.

The Company is exposed to pricing risks because price fluctuations in raw material inventories affect sales prices. Currently, there are no derivative instruments that hedge against adverse price changes on sales margins. The Company reviews the balances on purchase orders, production and procurement according to raw material pricing outlooks and makes an effort to reflect fluctuations in raw material prices to sales prices.

Management of Exchange Rate Risk

There is a natural balance between the Group's income and expenses in terms of exchange rate risk; this balance is sustained by taking into account forecasts and market conditions.

The sensitivity analysis for exchange rate risk of the Company's foreign exchange position is discussed below.

As of December 31, 2010, if the TL rates were lowered by 10 percent against both the dollar and euro while all other variables remained constant, a net

Consolidated Financial Statements and Footnotes
İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Footnotes To The Consolidated Financial Statements As Of December 31, 2010
(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

interest income would have occurred due to net translation gains on assets and liabilities denominated in these foreign currencies. The net interest income before taxes for the reporting period would have decreased by 1,998,219 TL (December 31, 2009: less net year-end loss of 1,954,580 TL). The Group's hedging of exchange risk and foreign currency liability is discussed in Note 38.

				Exchange Rate Sensitivity Table
		31.12.2010		31.12.2009
		Profit/(Loss)		Profit/(Loss)
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
10% change in USD rate:				
1- USD net assets/(liabilities)	(779.026)	779.026	(1.014.277)	(1.014.277)
2- USD rate protected portion (-)				
3- USD net effect (1+2)	**(779.026)**	**779.026**	**(1.014.277)**	**1.014.277**
10% change in EUR rate:				
4- EUR net assets/(liabilities)	(1.219.151)	1.219.151	(940.266)	940.266
5- EUR rate protected portion (-)				
6- EUR net effect (4+5)	**(1.219.151)**	**1.219.151**	**(940.266)**	**940.266**
10% change in other exchange rates:				
7- Other foreign exchange net assets/(liabilities)	(42)	42	(37)	37
8- Other exchange rate protected portion (-)	0	0	0	0
9- Other foreign exchange assets net effect (7+8)	**(42)**	**42**	**(37)**	**37**
TOTAL (3+6+9)	**(1.998.219)**	**1.998.219**	**(1.954.580)**	**1.954.580**

Management of Interest Rate Risk

The Group borrows on a fixed interest rate basis. The Group's interest rates for liabilities are discussed in Note 8.

			Interest Position Table
		31.12.2010	31.12.2009
Fixed Rate Financial Instruments			
Financial Assets	Financial assets with fair value difference not reflected in profit/loss	47.080.224	74.055.352
	Assets-for-Sale Financial Assets	-	-
Financial Liabilities		11.557.238	11.399.658
Variable Interest Financial Instruments			
Financial Assets		-	-
Financial Liabilities		7.437.400	1.563.583

As of December 31, 2010, when the base interest rate increased by 100 points or 1 percent while all other variables remained constant, a net interest income occurred due to modifications in interest amounts related to fixed and variable rate financial instruments. The net interest income before taxes for the reporting period increased by 2,553 TL (December 31, 2009: higher net period profit of 190,711 TL).

The Group's sensitivity to interest rates is as shown below:

Interest Rate Sensitivity Table	31.12.2010 Profit/(Loss) Base Point Increase	31.12.2010 Profit/(Loss) Base Point Decrease	31.12.2009 Profit/(Loss) Base Point Increase	31.12.2009 Profit/(Loss) Base Point Decrease
100 (1%) Basis Points Change:				
TL	5.221	(5.221)	268.319	(268.319)
USD	(854)	854	(23.622)	23.622
EUR	(1.814)	1.814	(53.952)	53.952
Total Effect of Fixed Rate Financial Instruments	**2.553**	**(2.553)**	**190.745**	**(190.745)**
100 (1%) Basis Points Change:				
TL	-	-	(34)	34
USD	-	-	-	-
EUR	-	-	-	-
Total Effect of Variable Interest Financial Instruments	**-**	**-**	**(34)**	**34**
TOTAL	**2.553**	**(2.553)**	**190.711**	**(190.711)**

E. Management of Credit and Collection Risk

The Group's credit and collection risk is mainly related to trade receivables. The amount shown on the balance sheet is the net amount after deducting doubtful receivables determined by the Group's management based on prior experience and current economic conditions. The Group does not have a significant credit risk concentration as the Group's credit risk is diversified given the wide customer base of the distributor company. Furthermore, the Group manages risk effectively by taking collaterals to secure trade receivables through the distributor company.

Consolidated Financial Statements and Footnotes

İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Footnotes To The Consolidated Financial Statements As Of December 31, 2010

(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

Credit Risk Exposure by Types of Financial Instruments

31.12.2010	Trade Receivables Related Party	Trade Receivables Other Party	Other Receivables Related Party	Other Receivables Other Party	Bank Deposits	Derivative Instruments	Other Trade Receivables
Maximum credit exposure as of the reporting date (A+B+C+D+E) (1)	**30.101.967**	**25.976.627**	**-**	**1.535.819**	**47.904.571**	**-**	**18.122.393**
Secured portion of maximum exposure	15.460.000	-	-	-	-	-	-
A. Net book value of financial assets that are non-past due or unimpaired (2)	30.101.967	25.976.627	-	1.318.265	47.904.571	-	2.410.393
B. Book value of renegotiated financial assets that are considered past due or impaired	-	-	-	-	-	-	-
C. Net book value of past due but unimpaired assets (3)	-	-	-	217.554	-	-	-
- Secured portion of net book value by guarantees, etc.	-	-	-	-	-	-	-
D. Net book value of impaired assets (4)	-	-	-	-	-	-	15.712.000(*)
- Past due (gross book value)	-	3.384.140	-	-	-	-	-
- Impairment (-)	-	(3.384.140)	-	-	-	-	-
- Secured portion of net book value by guarantees, etc.	-	-	-	-	-	-	-
- Non-past due (gross book value)	-	-	-	-	-	-	7.456.760
- Impairment / Revaluation (-)	-	-	-	-	-	-	8.255.240
- Secured portion of net book value by guarantees, etc.	-	-	-	-	-	-	-
E. Items with off balance sheet credit risk	-	-	-	-	-	-	-

(*) This amount is stocks related, with details shown in Note 7.

(1) Credibility enhancing factors like collaterals are not taken into account when determining the amount.

(2) No future impairment or credit risks are anticipated on the non-past due or unimpaired financial assets.

(3) No future impairment is anticipated on the past due but unimpaired financial assets since their collaterals or maturities are short. As of December 31, 2009, the aging analysis of past due but unimpaired financial assets is shown below.

Aging analysis pertaining to financial assets that are overdue but not depreciated as of December 31, 2010 is as follows:

	Trade Receivables	Receivables Other Receivables	Bank Deposits	Derivative Instruments	Other
Past due for 1-30 days	-	-	-	-	-
Past due for 1-3 months	-	-	-	-	-
Past due for 3-12 months	-	-	-	-	-
Past due for 1-5 years	-	217.554	-	-	-
Past due for over 5 years	-	-	-	-	-
Portion secured by guarantees, etc	-	-	-	-	-

(4) As of December 31, 2010, the aging analysis of past due and impaired financial assets is shown below:

	Past Due Amount	Receivables Provisions Set Aside
Past due for 1-30 days	-	-
Past due for 1-3 months	-	-
Past due for 3-12 months	-	-
Past due for 1-5 years	3.384.140	(3.384.140)
Past due for over 5 years	-	-
TOTAL	**3.384.140**	**(3.384.140)**
Portion secured by guarantees, 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.

Consolidated Financial Statements and Footnotes

İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi
Footnotes To The Consolidated Financial Statements As Of December 31, 2010

(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

							31.12.2009
	Related Party	Trade Receivables Other Party	Related Party	Receivables Other Receivables Other Party	Bank Deposits	Derivative Instruments	Other Trade Receivables
Maximum credit exposure as of the reporting date (A+B+C+D+E) (1)	**29.035.981**	**8.700.286**	-	**4.104.673**	**77.821.420**	-	**4.437.755**
Secured portion of maximum exposure	15.057.000	-	-	-	-	-	-
A. Net book value of financial assets that are non-past due or unimpaired (2)	29.035.981	7.909.236	-	4.104.673	77.821.420	-	357.755
B. Book value of renegotiated financial assets that are considered past due or impaired	-	-	-	-	-	-	-
C. Net book value of past due but unimpaired assets (3)	-	791.050	-	-	-	-	-
- Secured portion of net book value by guarantees, etc.	-	-	-	-	-	-	-
D. Net book value of impaired assets (4)	-	-	-	-	-	-	4.080.000 (*)
- Past due (gross book value)	-	3.433.239	-	-	-	-	-
- Impairment (-)	-	(3.433.239)	-	-	-	-	-
- Secured portion of net book value by guarantees, etc.	-	-	-	-	-	-	-
- Non-past due (gross book value)	-	-	-	-	-	-	6.424.985
- Impairment (-)	-	-	-	-	-	-	(2.344.985)
- Secured portion of net book value by guarantees, etc.	-	-	-	-	-	-	-
E. Items with off balance sheet credit risk	-	-	-	-	-	-	-

(*) This amount is stocks related, with details shown in Note 7.

(1) Credibility enhancing factors, like collaterals, are not taken into account when determining the amount.

(2) No future impairment or credit risks are anticipated on the non-past due or unimpaired financial assets.

(3) No future impairment is anticipated on the past due but unimpaired financial assets since their collaterals or maturities are short.

As of December 31, 2009, the aging analysis of past due but unimpaired financial assets is shown below:

	Trade Receivables	Receivables Other Receivables	Bank Deposits	Derivative Instruments	Other
Past due for 1-30 days	791.050	-	-	-	-
Past due for 1-3 months	-	-	-	-	-
Past due for 3-12 months	-	-	-	-	-
Past due for 1-5 years	-	-	-	-	-
Past due for over 5 years	-	-	-	-	-
Portion secured by guarantees, etc.	-	-	-	-	-

(4) As of December 31, 2009, the aging analysis of past due and impaired financial assets is shown below:

	Past Due Amount	Receivables Provisions Set Aside
Past due for 1-30 days	-	-
Past due for 1-3 months	-	-
Past due for 3-12 months	-	-
Past due for 1-5 years	3.433.239	(3.433.239)
Past due for over 5 years	-	-
TOTAL	**3.433.239**	**(3.433.239)**
Portion secured by guarantees, etc.	-	-

F. Liquidity Risk Management

The Group manages liquidity risk by regularly monitoring estimated and actual cash flows and by ensuring the availability of sufficient funds and borrowing capacity by matching maturities of financial assets and liabilities.

					31.12.2010
Contractual Maturities	Book Value	Contractual Cash Outflows Total	Less than 3 Months	3 to 6 Months	1 to 5 Years
Non-derivative financial liabilities	**25.863.473**	**25.920.678**	**20.056.068**	**5.864.610**	-
Bank debt	11.162.836	11.162.836	10.899.903	262.933	-
Finance Leasing liabilities	394.402	394.402	105.554	288.848	-
Trade payables (*)	12.320.842	12.378.047	7.432.925	4.945.122	-
Other payables and liabilities (**)	1.985.393	1.985.393	1.617.686	367.707	-
Expected Maturities	**Book Value**	**Expected Cash Outflows Total**	**Less than 3 Months**	**3 to 6 Months**	**1 to 5 Years**
Non-derivative financial liabilities	**28.802.673**	**28.926.709**	**10.334.621**	**15.362.196**	**3.229.892**
Bank debt	7.437.400	7.437.400	-	7.437.400	-
Finance leasing liabilities	-	-	-	-	-
Trade payables (***)	9.882.289	10.006.031	8.746.451	1.259.580	-
Other payables and liabilities	11.482.984	11.483.278	1.588.170	6.665.216	3.229.892
Expected (or Contractual) Maturities	**Book value**	**Contractual or Expected Cash Outflows Total**	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**
Derivative cash inflows	-	-	-	-	-
Derivative cash outflows	-	-	-	-	-

(*) Since Turkish Commercial Code considers promissory notes as contracts linking two parties, payables-related promissory notes are monitored in this group; intra-company eliminations within the group are taken into account according to their book values.

(**) Liabilities with legally binding due dates, such as tax provisions, deferred taxes, tax due, and social security deductions, are accounted for in this group.

(***) Suppliers and other trade payables are monitored in this group; intra-company eliminations within the group are taken into account according to their book values.

Consolidated Financial Statements and Footnotes

İhlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi

Footnotes To The Consolidated Financial Statements As Of December 31, 2010

(Unless otherwise stated, the amounts are in Turkish Lira (TRY))

					31.12.2009
Contractual Maturities	Book Value	Contractual Cash Outflows Total	Less than 3 Months	3 to 6 Months	1 to 5 Years
Non-derivative financial liabilities	**28.800.737**	**28.800.737**	**13.365.180**	**11.062.673**	**4.372.884**
Bank debt	10.297.542	10.297.542	6.547.691	-	3.749.851
Finance Leasing liabilities	1.102.117	1.102.117	193.988	459.133	448.996
Trade payables (*)	14.930.632	14.930.632	5.408.820	9.521.812	-
Other payables and liabilities (**)	2.470.446	2.470.446	1.214.681	1.081.728	174.037
Expected Maturities	**Book Value**	**Expected Cash Outflows Total**	**Less than 3 Months**	**3 to 6 Months**	**1 to 5 Years**
Non-derivative financial liabilities	**36.111.802**	**36.111.802**	**6.087.073**	**26.085.400**	**3.939.329**
Bank debt	1.350.000	1.350.000	-	1.350.000	-
Finance leasing liabilities	-	-	-	-	-
Trade payables (***)	8.277.407	8.277.407	1.871.949	6.405.458	-
Other payables and liabilities	26.484.395	26.484.395	4.215.124	18.329.942	3.939.329
Expected (or Contractual) Maturities	**Book value**	**Contractual or Expected Cash Outflows Total**	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**
Derivative cash inflows	-	-	-	-	-
Derivative cash outflows	-	-	-	-	-

(*) Since Turkish Commercial Code considers promissory notes as contracts linking two parties, payables-related promissory notes are monitored in this group; intra-company eliminations within the group are taken into account according to their book values.

(**) Liabilities with legally binding due dates, such as tax provisions, deferred taxes, tax due, and social security deductions, are accounted for in this group.

(***) Suppliers and other trade payables are monitored in this group; intra-company eliminations within the group are taken into account according to their book values.

G. Hedge Accounting

Financial Hedge Accounting

The Company does not have any transactions for hedging other than options transactions and exchange risk management. The Group does not perform swap transactions for purposes of hedging from exchange or interest rates (fixed or variable).

Options transactions are the Group's only derivative instruments. These derivative instruments expired on July 24, 2009. The Company and its Parent company, Ihlas Holding A.Ş., filed a lawsuit for the return of stocks deposited as collateral for an option contract.

Note 40 – Events after the Reporting Period

a-Merger Decision

Ihlas Madencilik and Bayındır Madencilik, both Group companies, decided to initiate the merging process as a result of the January 11, 2011, dated Board of Directors decision.

Succeeding the Board of Directors meetings for both companies on January 26, 2011, the following decisions have been made:

- Ihlas Madencilik to merge with Bayındır Madencilik by joining all assets and liabilities in accordance with Turkish Commercial Law, Article 451, articles in the Capital Markets Law, and the CMB Communiqué Serial: I, No. 31.

- The merger is to take place if and only if all assets and liabilities of Ihlas Madencilik as stated on its balance sheet prepared in accordance with Capital Markets Law dated December 31, 2010, are transferred to that of Bayındır Madencilik as stated on its balance sheet prepared in accordance with Capital Markets Law dated December 31, 2010.

- The amount of shares to be distributed to the shareholders of Ihlas Madencilik as a result of this merger will be based on the expert agency report specified in the Capital Markets Law and the reports of experts appointed by the authorized court.

- In order for this expert to be identified and appointed, a petition will be submitted to Commercial Court of First Instance.

In the Board of Directors meeting of Bayındır Madencilik on February 22, 2011, it was unanimously decided that Bayındır Madencilik will acquire all assets and liabilities of Ihlas Madencilik in accordance with Turkish Commercial Law, Article 451 and all other relevant articles, Corporate Tax Law No. 5520, Articles 19 and 20, CMB Communiqué Serial: I, No: 31 on "Principles Regarding Mergers," and all other applicable legislations. Moreover, for all necessary legal permits for this merger, the Rate of Merger was calculated using the audited financial statements prepared in accordance with International Financial Reporting Standards (IFRS) for the January 1, 2010 – December 31, 2010 period. Furthermore, the Board of Directors meeting results includes the following decisions:

1- "Adjusted Equity Method" will be the method to be used in the merger.

2- According to the "Adjusted Equity Method," the "Rate of Merger" and "Adjustment Rate" are calculated to be 29.64 percent and 1.01756492, respectively.

3- The capital listed on legal records for the acquired Ihlas Madencilik as of December 31, 2010, is 43,542,538 TL. When the merger rate of 29.64 percent and the capital is taken into consideration, the merger is a capital reduction that does not require any fund outflow for Bayındır Madencilik. Capital reduction and the capital increase due to the merger will occur simultaneously.

4- The independently audited financial statements dated December 31, 2010, and legal records will be the basis of the merger. In accordance with "Principles for Capital Reduction of Publicly Enlisted Parent Companies without Fund Outflow," 12,423,533 TL of the 36,000,000 TL paid capital of Bayındır Madencilik will be reduced, while at the same time, an capital increase of 55,966,071 TL will be made, thus resulting in a total paid capital of 79,542,538 TL.

5- A Merger Contract will be signed depending on the approval of the General Assembly and the acquisition of the necessary legal permits.

6- The title of Bayındır Madencilik will be changed to Ihlas Madencilik A.Ş.

7- Articles of Association Article 2 will be changed as stated in the attachment and will be presented to the voting of the General Assembly pursuant to the completion of all necessary legal permits.

b-) Bayındır Madencilik Share Purchase

On January 11, 2011, the Company has purchased 1,000,000 Bayındır Madencilik shares from a price of 1.29 TL/share. Hence, as of January 11, 2011, the Company's share in Bayındır Madencilik has reached 5.83 percent.

c-) IHEVA share purchase profit for Ihlas Holding A.Ş.

As a result of the Board of Directors meeting held on January 25, 2011, Ihlas Holding A.Ş., the Parent company, has decided to purchase 6,000,000 IHEVA shares from the ISE within the next five months.

d-) Approval of the Financial Statements

The Board of Directors approved the financial statements dated December 31, 2010, and authorized their publication on February 23, 2011. Only the General Assembly is authorized to adjust the financial statements once published by the Group shareholders or other related parties.

Note 41 – Miscellaneous Items for Clarifying and Explaining the Financial Statements and Items that Significantly Affect the Financial Statements

None.

Our Subsidiary İhlas Madencilik A.Ş.

Mining sites where Ihlas Madencilik A.Ş. has licenses may be grouped into three main categories. These sites contain gold, coal and industrial alloys. Ihlas Madencilik A.Ş. has taken over exploration licenses for 87 different sites, including 40 gold, 9 chrome, 22 coal, 17 copper, and 28 zinc, lead, gypsum, manganese, peat, kaolin and marble mines, and an operational license for one site; it has also applied for operational licenses for five of the mining sites.

In 2008, the Company established a new company in Ghana to deal in mining, with a capital of $300,000. The Company is a partner with a share ratio of 90 percent.

İhlas Madencilik is located at 29 Ekim Cd. No:23 Medya Blok Kat:3 Yenibosna-Bahçelievler/ISTANBUL.

Capitalization and Subject of Activity

The capital of İhlas Madencilik A.Ş. as of December 31, 2010 is 55 million Turkish lira.

Capitalization of the Company as of December 31, 2010 is as follows:

Shareholder	Share Amount	Share (%)
İhlas Ev Al. İml. San. ve Tic. A.Ş.	45.650.000	83,00%
İhlas Holding A.Ş.	7.150.000	13,00%
Abdullah Turalı	550.000	1,00%
M. Muammer Gürbüz	1.100.000	2,00%
Hüseyin Hancı	550.000	1,00%
TOTAL	**55.000.000**	**100,00%**

Subject of Activity

Subjects of activity specified in İhlas Madencilik A.Ş articles of association are as follows:

• Carrying out the work required for mining, enriching and transporting various soils, metals and ores, especially boron metal and boron ore and similar ores, used in works in connection with its subject, and for making them suitable for production and consumption.

• Establishing mines and quarries, industrial facilities, factories, workshops and depots, sales and exhibition outlets; operating them in person or through cooperation; renting, leasing, transferring and selling them.

• Performing import, export, brokerage, agency and representation duties in connection with the subject.

• Carrying out services, such as commercial representation, commercial authorized agency, brokerage or consultancy for local and foreign real and legal persons

• Establishing gas stations and depots; operating, renting and leasing tankers; operating these in person or through cooperation; and buying/selling them

• Performing technical consultancy services in connection with the chemical industry and other businesses specified in the articles of association.

İhlas 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 to give authority for reserve and feasibility studies of the relevant mining sites.

However, priority is given to matters, including detection of sites that can be operated with minimal investment, preparation of operation projects, preparation of exploration activity reports and preparation of EIE and preliminary EIE research reports.

İhlas Madencilik A.Ş. has signed a framework agreement with German-English partnership DMT GmbH Deutsche Montan Consulting AG to enable further professional drilling and reserve studies at mining sites and to determine conformance of studies at mining sites to domestic and international mining and environmental standards.

İhlas 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/Sarı Mersindere village in return for an 8 percent royalty, and took over the site with the permission of the Republic of Turkey Ministry of Energy and Natural Resources, Directorate of Mining Affairs. An 8 percent royalty was also taken over by İhlas Madencilik 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 an operational license and acquired the operational license on July 5, 2010.

Industrial Information

Metals and Minerals

Principles and procedures for exploring, operating, claiming and abandoning mines in Turkey are regulated by Mining Law No. 3213. A relevant article of this law is Article 14, entitled State Right and Special Administration Share. The mentioned article is as follows:

State right to be accrued over produced minerals will be 4percent of the sales amount per quarry for the 1st Group and 5th Group minerals and for any kinds of construction materials used in constructions such as cover stone, rough construction work, dam, pond, seaport and road. This rate will be 2percent in other groups of minerals. Sales price per quarry declared by the license holder is controlled by the Ministry, and missing declarations are completed. State's right is received with 30 percent surplus from mining activities in places owned by the Treasury or under force and disposal of the State.

In general, mining can be defined as an industrial branch dealing in exploring, finding, mining and selling ore with economic value. According to another definition, mining is an industrial branch dealing in searching, obtaining mining rights, exploring, using, developing, producing and marketing exhaustible natural resources that cannot be re-produced.

This industrial branch processes metals specified in Article 2 of the Mining Law, namely all types of materials with economic and commercial value found naturally in the Earth's crust and in ground water and surface water, other than oil, natural gas, geothermal and water.

Raw Materials Used for Power Generation (Lignite, Hard Coal)

Spread throughout Turkey, lignite reserves are present in nearly all regions of Turkey. In general, lignite reserves in Turkey have developed in sediment basins pressed between mountain ranges formed with effect of the Alp Orogenesis; their precipitation ages vary between Eocene and Late Pliocene. Lignite within basins presents varied chemical properties depending on the precipitation environments. The southern and mid-Anatolian region has the richest lignite reserves. Lignite with the highest thermal value is found in northeastern Anatolia.

In spite of its limited natural gas and oil reserves, Turkey has rich lignite reserves. Lignite reserves are spread throughout the country. Lignite reserves are found in nearly all geographical regions and in 37 provinces. According to an evaluation based on the data of MRE, TCE and EGC, as of 2005, lignite reserves have been determined to be 8.22 billion tons. As of 2005, sites belonging to TCE contain 2.47 billion tons of lignite reserves, and sites belonging to EGC contain 3.65 billion tons..

Approximately 29 percent of lignite reserves are owned by TCE: 45 percent by EGC and 26 percent by the private sector. As a result of the TCE management plan of the biggest lignite reserve in Turkey, the reserve in the Afşin-Elbistan basin was reported to have increased by approximately one billion tons. However, as exploration and drilling activities carried out by MRE in Elbistan basin are still underway, the actual reserve can become more clearly defined after these activities are finished. In general, the lignite in Turkey is low quality: 0.84 percent of the total lignite reserve is higher than 4,000 Kcal/kg; 5.16 percent is between 3,001 and 4,000 Kcal/kg; 24.5 percent is between 2,001 and 3,000 Kcal/kg; 66.32 percent is between 1,000 and 2,000 Kcal/kg and 3.18 percent is less than 1,000 Kcal/kg.

Results of Discounted Cash Flow Analysis

Total value of the company, calculated with the discount rate obtained according to the weighted average capital cost and Reduced Cash Flow Analysis study, is as follows:

İhlas Mining Activities Reduced Cash Flow	**362.871.131**
Affiliate Bayındır Madencilik Cash Flow (15.6424%)	4.406.667
İhlas Mining Activities Cash Flow Total	**367.277.798**
İhlas Madencilik Current Assets	7.960.105
İhlas Madencilik Short Term Debt	(1.113.329)
Total Company Value	**374.124.573**

As a result of the operations shown above, the value of the Company was calculated as $374,123,573 according to a reduction rate of 11.92 percent as of December 31, 2010.

The projection above includes the years between 2011 and 2023. There's no definite projection for the previously mentioned years.

Our Subsidiary İhlas Madencilik A.Ş.

There are 87 mine licenses and one operational license recorded to the assets of the Company. Of these mining sites, the Company declared that it actively engages in exploration activities in the mine located at Manisa Province, Merkez district, Mersindere village, with access no. 2534879 and search license no. AR-67301 including gold, silver, quartz, zircon and titanium (BEMAŞ); and the mines located at Afşin-Elbistan coal basin, with license no. AR20062736 and 20062737. Of those two mines, the company acquired an operational license for the one in Manisa.

While determining the value of the Company according to the Reduced Cash Flow (RCF) method, the potential cash flow from the activities of BEMAŞ and Elbistan-Afşin mining sites were taken into consideration. Matters related to the BEMAŞ and Afşin-Elbistan mining sites, that we believe will affect the Cash Flow and company value, are outlined below.

Of the mining sites included in the projections, an operational license was acquired for the one in Manisa province, and an application to convert a search license to an operational license will be submitted for the mine in Elbistan. Cash flow reflected to the projection in connection with the mining sites in Elbistan depends on acquisition of the operational license.

The Company has acquired an exploration license for the BEMAŞ mining site, constituting a significant portion of the Company's value, for 2.5 million Turkish lira. The obligations to give the former license holder a separate share of 8 percent from the turnover were assumed to be abolished and cash output in connection with the royalty payment was not included in the projection, in line with the statement in the Material Event disclosure of the Company dated January 24, 2011:

"On our previous material events disclosure dated May 5, 2008, we had reported that our subsidiary İhlas Madencilik A.Ş. took over one exploration license within the boundaries of Manisa province, Salihli district, and that it pledged to pay a royalty fee of 8 percent + VAT to the assignor from sales of the obtained products, if the acquired license site is operated. According to today's statement from Ihlas Madencilik A.Ş., as required by the signed protocol, the parties agreed that İhlas Madencilik A.Ş. would pay the transferor party 3 million Turkish lira excluding VAT in return for abolishing the above-mentioned obligation of İhlas Madencilik A.Ş. and giving all rights of the site to İhlas Madencilik A.Ş., and the required release was received.",

The projections related to the BEMAŞ mining site, comprising a significant portion of the Company's value, were based on the ore reserves indicated in a preliminary assessment report prepared by German-based DMT GmbH & Co.KG ("DMT") (Appendix 6). The preliminary assessment report prepared by DMT does not constitute a conclusive reserve detection report that complies with international standards (JORK). The report contains only the results of the initial analysis of the exploration conducted at the site, while the geological, chemical and other necessary in-depth analyses are ongoing.

Our Subsidiary İhlas Madencilik A.Ş.

İhlas Ev Aletleri

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İhlas Ev Aletleri

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