We draw our **energy** from you...

İHLAS EV ALETLERİ **ANNUAL REPORT 2011**

İhlas
Ev Aletleri


İhlas

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We draw our energy from your trust in us and use it for your happiness!

Here at **IHEVA**, we have been guided by a single goal over the years: "To ensure that each and every product we offer makes your life easier and contributes to the pleasure, comfort, and happiness of you and your family." To achieve this goal, we have relied on the energy that we draw from your trust and use it towards your happiness!

The Sun is second to none
in providing our planet with a
unique and life-sustaining
source of energy...

Your trust in us has illuminated our path like a **SUN**,
and with each and every product we offer we hope to see
SUN's rays of happiness radiating to your homes.

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Shareholders,

The global financial crisis that affected the entire globe - hitting Europe particularly hard - as well as continued uncertainty and efforts to cool down the domestic economy have all weighted heavily on the industry in which our company operates.

Notwithstanding these uncertainties and the cutthroat competition in our industry, we have still managed to increase our sales both in Turkey and abroad in 2011.

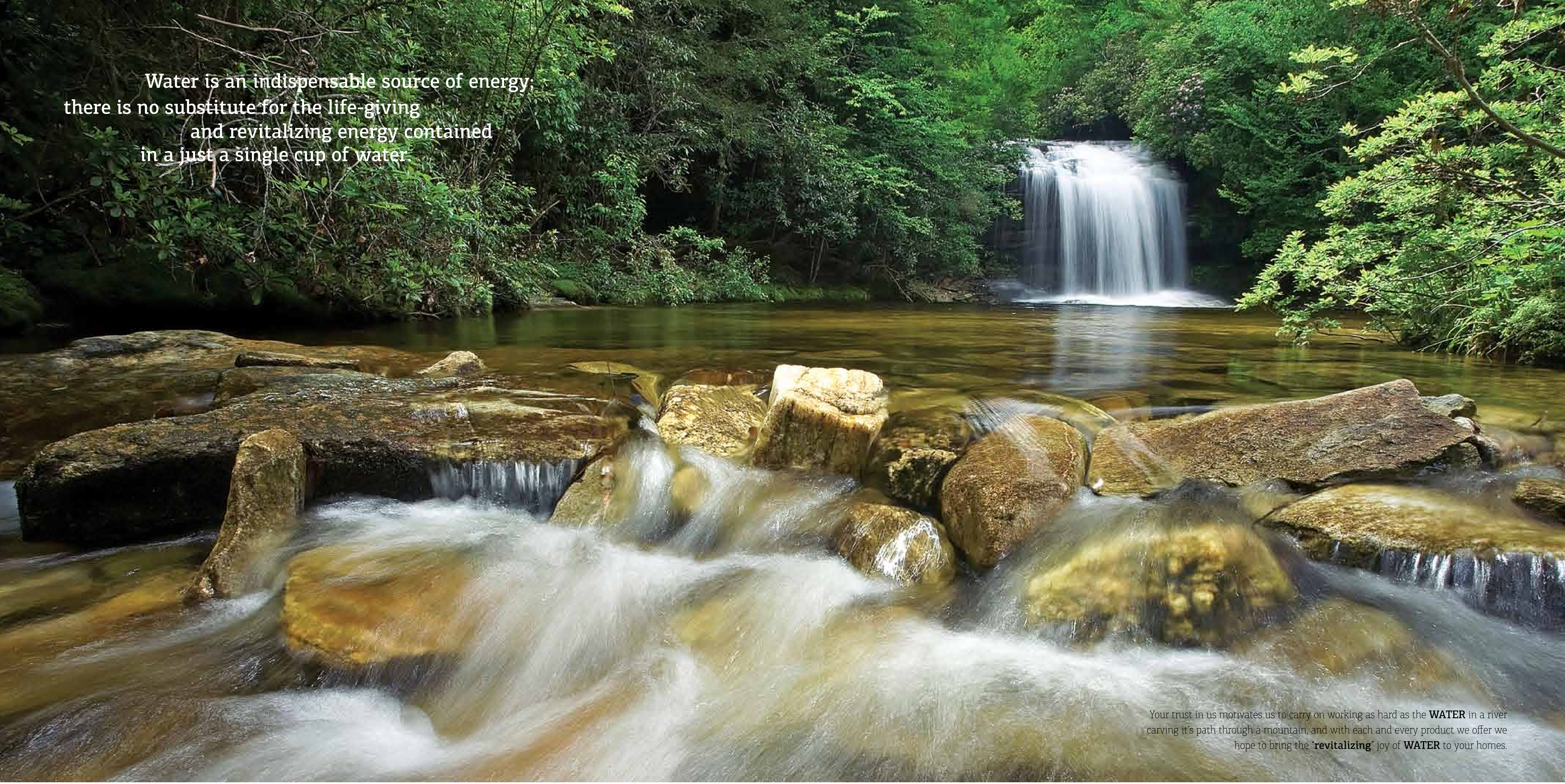
JCR Avrasya Derecelendirme A.Ş. (JCR-ER Eurasia Rating) evaluated IHEVA's corporate governance practices at the end of 2011 within the scope of the rules and regulations issued by the Capital Markets Board of Turkey (CMB) and determined that the general compliance level of IHEVA with these corporate governance principles is 7.39 out of 10, which means an increase of 3.79 percent over the previous year.

Always determined to do its best within its means, our Board of Directors, senior managers, and employees have begun to implement KAIZEN principles in order to ensure that our production facilities are even more productive, with optimal use of space and personnel. As a result, we have made important efficiency gains in terms of space and personnel and have thus increased our productivity. These efforts are still in progress, and we believe that the year 2012 will be one of efficiency and a great leap-forward in every respect.

The key to becoming indispensable and firmly entrenched in the market can be summarized as giving absolute priority to the needs of the customers. In other words, customers must be confident that the products and services they purchase are worth the money they have paid for them. I am proud to say that our company continues to gain their confidence and to keep their trust.

Yours sincerely,

Abdullah Turalı


Water is an indispensable source of energy;
there is no substitute for the life-giving
and revitalizing energy contained
in a just a single cup of water.
Your trust in us motivates us to carry on working as hard as the **WATER** in a river carving it's path through a mountain, and with each and every product we offer we hope to bring the "**revitalizing**" joy of **WATER** to your homes.

Cleanmax

BOARD OF DIRECTORS

Abdullah Turalı / Chairman of the Board of Directors - Member of the Audit Committee

Abdullah Turalı was elected on April 21, 2010 to serve for a three-year period until the General Shareholders Meeting to be held at the end of the period. He is jointly authorized to represent and bind the company. Abdullah Turalı was born in Kırklareli in 1956. He completed his high school education at Istanbul Vefa High School and went on to graduate from the Faculty of Economics at Istanbul University in 1982. He began his professional business career at the Istanbul branch of the Public Employment Agency of the Ministry of Labor, where he worked from 1977 to 1982. Mr. Turalı completed his compulsory military service between 1983 and 1984 and was self-employed from 1984 to 1994. He has assumed numerous managerial positions at various departments at Ihlas Holding A.Ş. since 1994. He currently serves as Chairman of the Board of Directors at IHEVA. Mr. Turalı is married with three children and is fluent in English Mr. Turalı also serves as Vice-Chairman of the Board of Directors of Ihlas Pazarlama A.Ş., Ihlas Pazarlama Yatırım Holding A.Ş., Bisan Bisiklet Moped Otomotiv San.Tic A.Ş, Bisiklet Pazarlama San.ve Tic. A.Ş. and Okan Tekstil San. ve Tic. A.Ş.; Member of the Board of Directors of Ihlas Madencilik A.Ş., Kristal Kola ve Meşrubat Sanayi ve Ticaret A.Ş., Atmaca Gıda Üretim ve Ticaret A.Ş. and Armutlu Tatil ve Turizm İşletmeleri A.Ş.; Company Manager of Mir İç ve Dış Ticaret Maden San. Ltd. Şti.; and Vice-Chairman of the Board of Directors of Detes A.Ş.

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

Sedat Kurucan was elected on April 21, 2010 to serve for a three-year period until the General Shareholders Meeting to be held at the end of the period. He is jointly authorized to represent and bind the company. Sedat Kurucan was born in Ordu in 1960. After completing his primary education there, he went on to graduate from Mustafakemalpaşa Secondary School in Bursa and Atatürk Teacher's High School in Gökçeada, Çanakkale. Mr. Kurucan graduated from the Faculty of Mechanical Engineering at Istanbul Technical University in 1982 and later earned his master's degree, specializing in gas turbines, at Eskişehir Osman Gazi University. Mr. Kurucan began his professional business career at the Jet Engine Maintenance Plant of the Turkish Air Force in Eskişehir where he worked for six years. He later went on to work at the F-16 Engine Plant of the Turkish Aerospace Industries Inc. (TAI) in Eskişehir, where he worked in the field of Contract and Quality Management for the U.S. Department of Defense for 11 years. Mr. Kurucan retired from this position in 1999, and since then has assumed various senior management positions at Ihlas Pazarlama A.Ş. and at Ihlas Ev Aletleri A.Ş. (IHEVA), both Ihlas Holding companies. He currently serves as General Manager at IHEVA. Married with two children, Mr. Kurucan is fluent in English and has a basic knowledge of French. Sedat Kurucan is a Member of the Board of Directors of Ihlas Pazarlama Yatırım Holding A.Ş.

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

Mehmet Küsmez was elected on April 21, 2010 to serve for a three-year period until the General Shareholders Meeting to be held at the end of the period. He is jointly authorized to represent and bind the company.

Mehmet Küsmez was born in Karabük in 1970. There he completed his primary, secondary, and high school education, graduating from Karabük Demir Çelik High School in 1987. Mr. Küsmez graduated from the Department of Accounting and Finance at the Faculty of Economics and Administrative Sciences at Anadolu University. Mr. Küsmez began his professional business career in 1988 at the Sirkeci Sales and Distribution Office of Türkiye Newspaper. Having assumed various middle and senior management positions in the Accounting, Finance, and Planning Departments at IHEVA since 1990, Mr. Küsmez has been a member of the Board of Directors since 2001 and has served as Chief Financial Officer since 2004. Mr. Küsmez is married with two children.

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

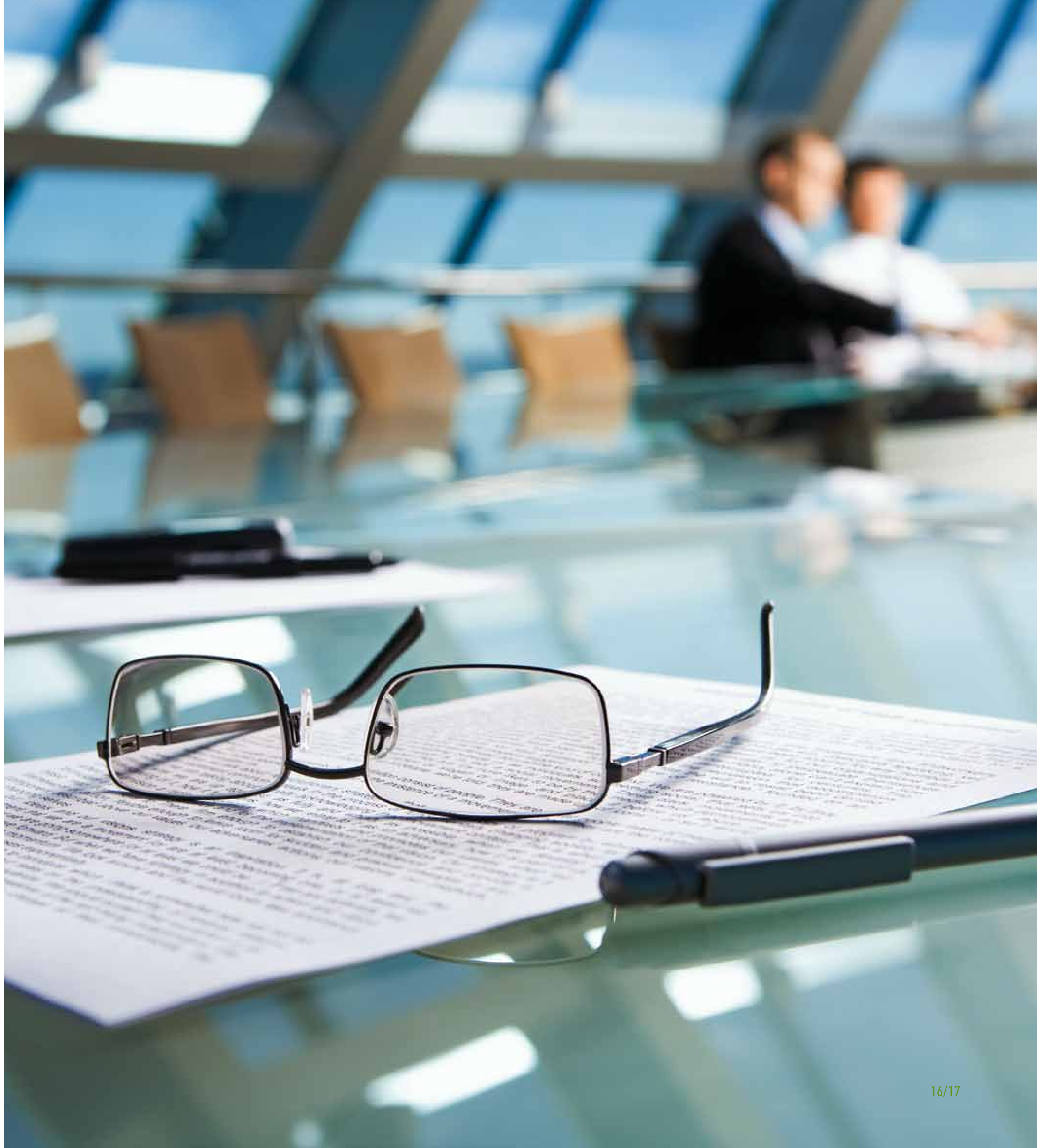
Ümit Güney was elected on April 21, 2010 to serve for a three-year period until the General Shareholders Meeting to be held at the end of the period.

Ümit Güney was born in Istanbul on March 25, 1972. He completed his high school education at Kadıköy Anatolian High School and went on to graduate from the Computer Engineering Department at the Faculty of Engineering at Boğaziçi University. Mr. Güney earned his MBA in marketing, business finance, and accounting and has also received training in project management, strategic management, and employee management. He has assumed various senior management positions in the IT industry and currently serves as Business Development Manager. Mr. Güney is fluent in English.

Mehmet Şeref Kardeş / Member of the Board of Directors / Independent Member / Chairman of the Audit Committee

Mehmet Şeref Kardeş was elected on April 22, 2010 to serve for a period which coincides with the tenure of the current Board of Directors.

Mehmet Şeref Kardeş was born in 1974 in Inegöl, Bursa, where he also completed his primary, secondary, and high school education. He graduated from the Department of Labor Economics and Industrial Relations at the Faculty of Economics and Administrative Sciences at Dokuz Eylül University in 1993. Mr. Kardeş is currently earning his master's degree in Human Resources and Leadership from the Department of Labor Economics and Industrial Relations at the Institute of Social Sciences at Uludağ University. He completed his compulsory military service in 2001. Mr. Kardeş began his professional business career as Accounting Manager at Ülker Group in 2002. He then continued his career as Chairman of the Board of Directors at Ekol Kalite Danışmanlık in 2004. Mr. Kardeş worked as Human Resources Manager at Kiler Alışveriş Hizmetleri A.Ş. in 2007 and later became Human Resources Director at Atasay Kuyumculuk A.Ş. in 2010. He left Atasay in July 2011 and began working as Human Resources Manager at Çift Geyik Karaca in September 2011, a position which he still holds. Mr. Kardeş is married with two children.



EXECUTIVE MANAGEMENT

Sedat Kurucan
General Manager

Sedat Kurucan was born in Ordu in 1960. After completing his primary education there, he went on to graduate from Mustafakemalpaşa Secondary School in Bursa and Atatürk Teacher's High School in Gökçeada, Çanakkale. Mr. Kurucan graduated from the Department of Mechanical Engineering at the Faculty of Mechanical Engineering at Istanbul Technical University in 1982 and later earned his master's degree, specializing in gas turbines, at Eskişehir Osman Gazi University. Mr. Kurucan began his professional business career at the Jet Engine Maintenance Plant of the Turkish Air Force in Eskişehir where he worked for six years. He later went on to work at the F-16 Engine Plant of the Turkish Aerospace Industries Inc. (TAI) in Eskişehir, where he worked in the field of Contract and Quality Management for the U.S. Department of Defense for 11 years. Mr. Kurucan retired from this position in 1999, and since then has assumed various senior management positions at Ihlas Pazarlama A.Ş. and at Ihlas Ev Aletleri A.Ş. (IHEVA), both Ihlas Holding companies. He currently serves as General Manager at IHEVA. Married with two children, Mr. Kurucan is fluent in English and has a basic knowledge of French.

Ömer Şaban Kamber, Ph.D.
Technical Department Director

Ömer Şaban Kamber was born in Siirt in 1965. After completing his primary education in Tarsus, he went on to graduate from Istanbul Gedikpaşa Secondary School and Istanbul Kadırga Industrial Vocational High School. Dr. Kamber graduated from the Department of Mechanical Engineering at the Faculty of Mechanical Engineering at Yıldız Technical University in 1989. He earned his master's degree, specializing in plastic injection molds, at Marmara University and went on to complete his Ph.D. in the same subject at the same university in 2008. Having conducted extensive scientific research and having authored many internationally-published articles, Dr. Kamber has assumed several senior management positions as Chief Engineer at various departments at IHEVA for the last 18 years, and currently serves as Technical Department Director at the same company. Dr. Kamber lectures at Marmara University in addition to his duties as Technical Department Director at IHEVA. Married with two children, Dr. Kamber is fluent in English and has a basic knowledge of Macedonian.

Mehmet Küsmez
Chief Financial Officer

Mehmet Küsmez was born in Karabük in 1970. There he completed his primary, secondary, and high school education, graduating from Karabük Demir Çelik High School in 1987. Mr. Küsmez graduated from the Department of Accounting and Finance at the Faculty of Economics and Administrative Sciences at Anadolu University. Mr. Küsmez began his professional business career in 1988 at the Sirkeci Sales and Distribution Office of Türkiye Newspaper. Having assumed various middle and senior management positions in the Accounting, Finance, and Planning Departments at IHEVA since 1990, Mr. Küsmez has been a member of the Board of Directors since 2001 and has served as Chief Financial Officer since 2004. Mr. Küsmez is married with two children.

Bülent Kaya
Purchasing Department Director

Bülent Kaya was born in Ordu in 1966. After completing his primary education in Germany, he went on to graduate from Istanbul Bahçelievler High School. Mr. Kaya graduated from the Physics Engineering Department at the Faculty of Science and Letters at Istanbul Technical University in 1989. Mr. Kaya earned his M.Sc. degree in Non-Destructive Testing (NDT) Methods from the Management Engineering Department at the Faculty of Management at Istanbul Technical University in 1992. He participated in various scientific research projects at the Çekmece Nuclear Research and Training Center before transferring to the private sector. Mr. Kaya has assumed various senior management positions at IHEVA since 1994 and currently serves as Purchasing Department Director at the company. Married with one child, Mr. Kaya is fluent in English and has a basic knowledge of German.

Erkan Adıgüzel
Production and Planning Department Director

Erkan Adıgüzel was born in Bayburt in 1964 and completed his primary, secondary, and high school education in Istanbul. He graduated from the Department of Management (taught in English) at the Faculty of Economics and Administrative Sciences at Çukurova University in 1993. Mr. Adıgüzel began his professional business career at Ihlas Motor, where he had served from 1993 to 1997 as a sales representative, an import coordinator, and a foreign trade coordinator. He has assumed various senior management positions at IHEVA since 1997 and currently serves as Production and Planning Department Director at the company. Mr. Adıgüzel is married with two children and is fluent in English.

Cengiz Baday
Total Quality Management Department Director

Cengiz Baday was born in 1970 in Istanbul, and there he also completed his primary, secondary, and high school education, graduating from Avcılar 50 Yıl Insa High School in 1987. Mr. Baday graduated from the Department of Electrical Engineering at the Faculty of Electrical & Electronics at Yıldız Technical University in 1992. Mr. Baday began his professional business career at Aksan Elektrikli Ev Aletleri and Ütüsan/Zass Elektrikli Ev Aletleri, where he worked as Quality Engineer and Quality Representative from 1992 to 1998. He has worked in various senior management positions in Quality Assurance at IHEVA since 1998 and currently serves as Total Quality Management Department Director at same company. Mr. Baday is married with one child and is fluent in English.

Mehmet Ercan Akgün
Stock and Customer Management Director

Mehmet Ercan Akgün was born in 1972 in Istanbul, where he also completed his primary, secondary, and high school education, graduating from Fatih Vatan High School in 1989. Mr. Akgün graduated from the Vocational School of Construction at Karadeniz Technical University in 1992. He later graduated from the Department of Economics at the Faculty of Economics and Administrative Sciences at Anadolu University in 1998 and was qualified as an Independent Accountant and Financial Advisor in 2004. Mr. Akgün has worked at IHEVA since 1993, serving in various middle- and senior-level management positions in the Accounting Department. He currently serves as Stock and Customer Management Director at the company.

Mustafa Salih Yazıcı
Human Resources Director

Mustafa Salih Yazıcı was born in 1965 in Samsun, where he also completed his primary, secondary, and high school education. Mr. Yazıcı graduated from the Department of Political Science and Public Administration at the Faculty of Economics and Administrative Sciences at Hacettepe University in 1987 and went on to earn his master's degree in "Innovations in Public Institutions" at Gazi University. In 1993, while he was working towards his Ph.D. from Hacettepe University, he withdrew from his studies in order to help establish the Samsun printing facilities of Türkiye Newspaper. Mr. Yazıcı worked as a research assistant at the Department of Political Science and Public Administration at the Faculty of Economics and Administrative Sciences at Hacettepe University from 1988 to 1993. He assumed various positions at IHEVA's Samsun branch and at the company's head office in Istanbul between 1996 and 2002. Mr. Yazıcı worked as Manager of Human Resources and Training at TGRT TV from 2002 to 2005 and currently serves as Human Resources Director at IHEVA, a position he has held since October 2005. Mr. Yazıcı is married with one child and is fluent in English.

Just like the sun and water, the EARTH has also generously provided us with many blessings, including gold, oil, and natural gas.

The unwavering trust you have given us and and the products we have produced for so many years have made us stronger by that day. That is why, with each and every product we offer you, we are happy to be sharing the endless abundance of the **EARTH** with you and your family.

aura

Cebilon

BOARD OF DIRECTORS REPORT

Esteemed Shareholders,

We would like start out by greeting our esteemed shareholders and their proxies, who have graced our General Shareholders Meeting with their presence. We now would like to present you, for your examination and approval, the Board of Directors and Auditors Reports as well as the consolidated financial statements for 2011, our Company's 17th fiscal year. These financial statements have been prepared in accordance with the Communiqué on the Principles of Financial Reporting in Capital Markets (Serial: XI, No: 29) published by the Capital Markets Board of Turkey (CMB).

We have examined the 2011 Annual Report and consolidated financial statements and footnotes of Ihlas Ev Aletleri Imalat Sanayi ve Ticaret A.Ş., as of December 31, 2011, prepared according to the Communiqué on the Principles of Financial Reporting in Capital Markets (Serial: XI, No: 29) published by the Capital Markets Board of Turkey. We hereby declare that the financial statements and their footnotes included in the Annual Report accurately reflect the financial status of the Company and that they fully comply with all applicable laws.

The 2011 consolidated financial statements of the Company show accumulated losses of 26,171,540 Turkish lira. These losses were due to the adverse effects of the global economic crisis that has persisted since 2010, uncertainties afflicting the financial markets, fierce market competition, and rising costs. We are of the opinion that this loss is cyclical and that our Company will begin to meet the profit expectations that you, our shareholders, expect from us in 2012.

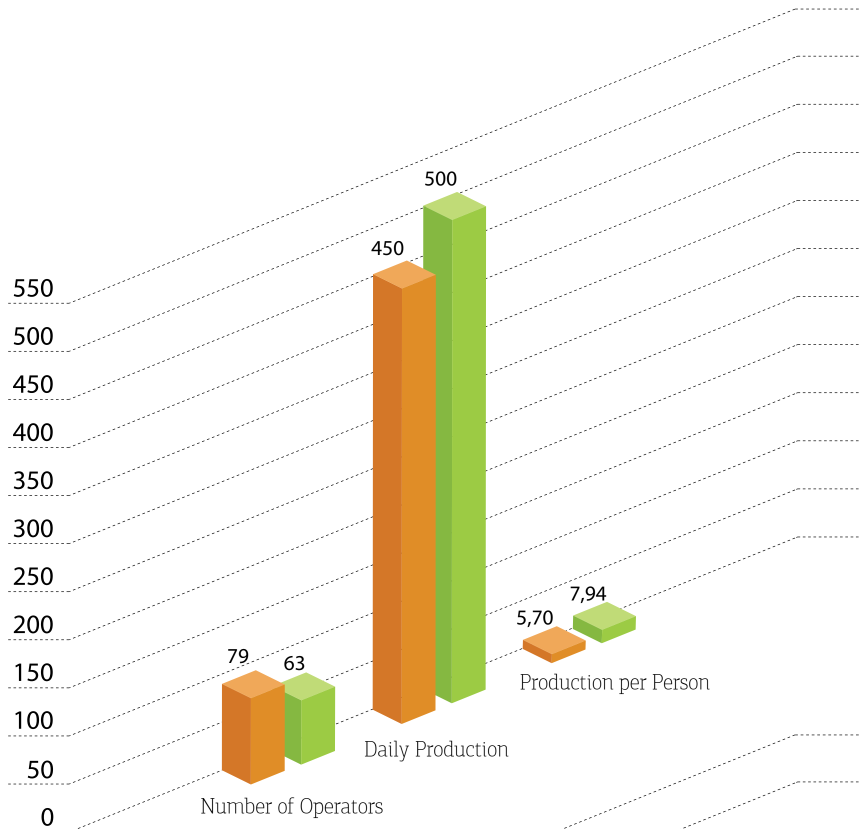
Our Company has begun the practice of KAIZEN in 2011 following a resolution passed by the Board of Directors, and efforts to build KAIZEN continue. Accordingly, we have declared 2012 a year of savings and a year in which we make a leap forward.

The Japanese have no term for "the best," and they never accept that there is only one way of doing things. Why? Because they believe that everything can be improved.

KAI means change, while ZEN means to make better. Accordingly, Kaizen means "change for the better." The Japanese use this terms to refer to "striving for continuous improvement" rather than simply "continuous improvement," since they think that Kaizen should not merely be restricted to business practices, but rather should be adopted as a lifestyle. Kaizen can be applied at home, at work, in school, or in a hospital; in short, anywhere. Kaizen's practitioners aim to make things better and more beautiful.

We have so far conducted Kaizen events — which we began on February 21, 2011 — in our production lines for Water Heaters, Cleaning Robots, and Reverse Osmosis (RO) Systems as well as for the organization of our warehouses. The injection mold workshop is the latest area of manufacturing that we have focused our Kaizen efforts on.

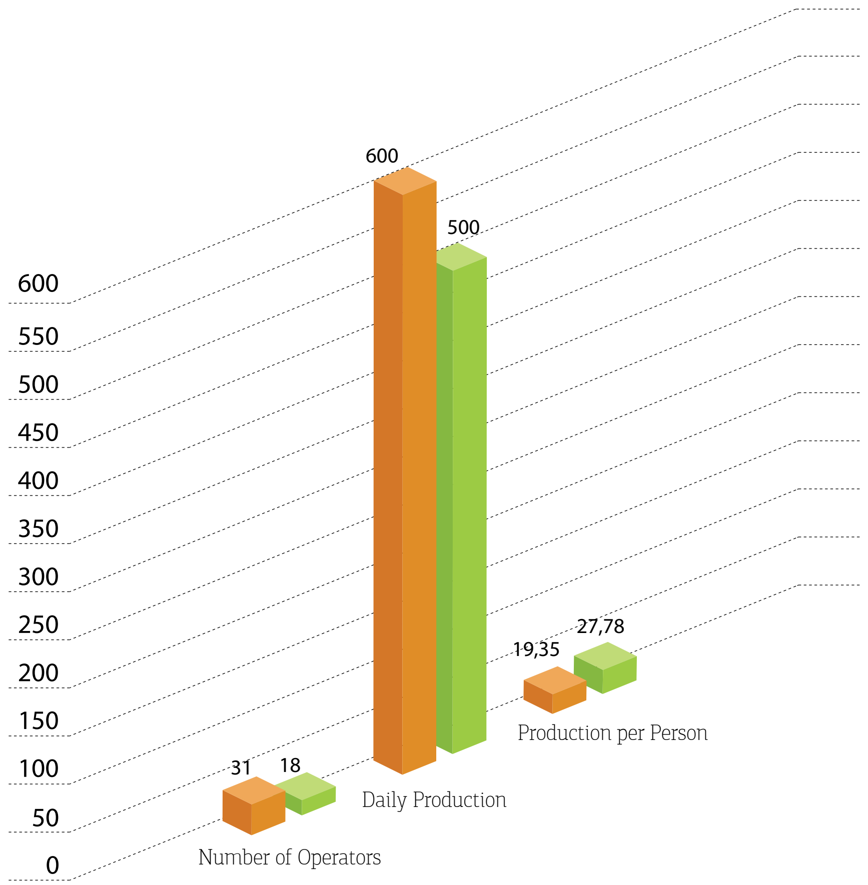
We have made teamwork an essential part of these efforts, which are implemented with the full support of our employees from every level. We share the benefits achieved through these efforts with our employees.



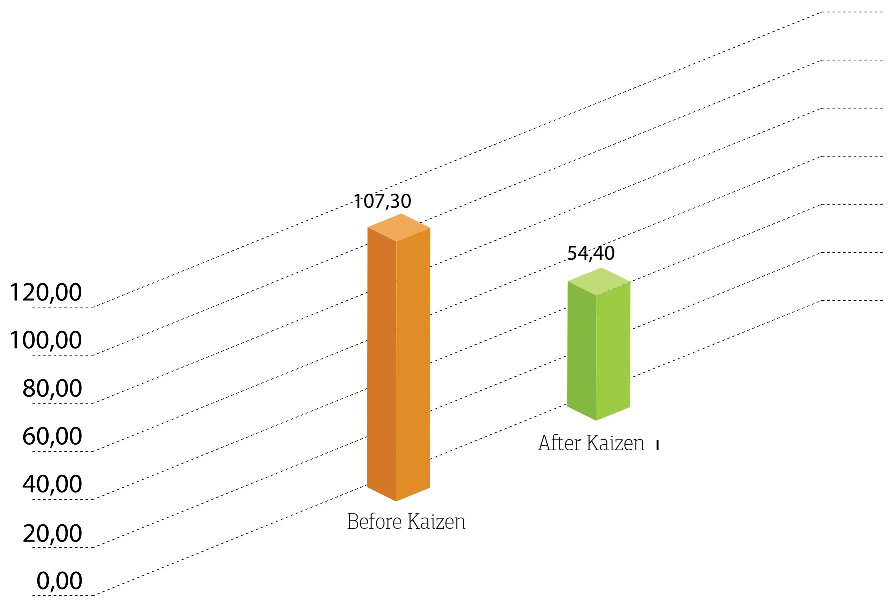
Cleaning Robot Production	Number of Operators	Daily Production	Production per Person	Growth in Productivity
Before Kaizen	79	450	5,70	
After Kaizen	63	500	7,94	39
Difference			2,24	

Cleaning Robot Production Area	Area (m^2)	Prod. Area Gain %
Before Kaizen	321,8	
After Kaizen	172,4	46
Difference	149	

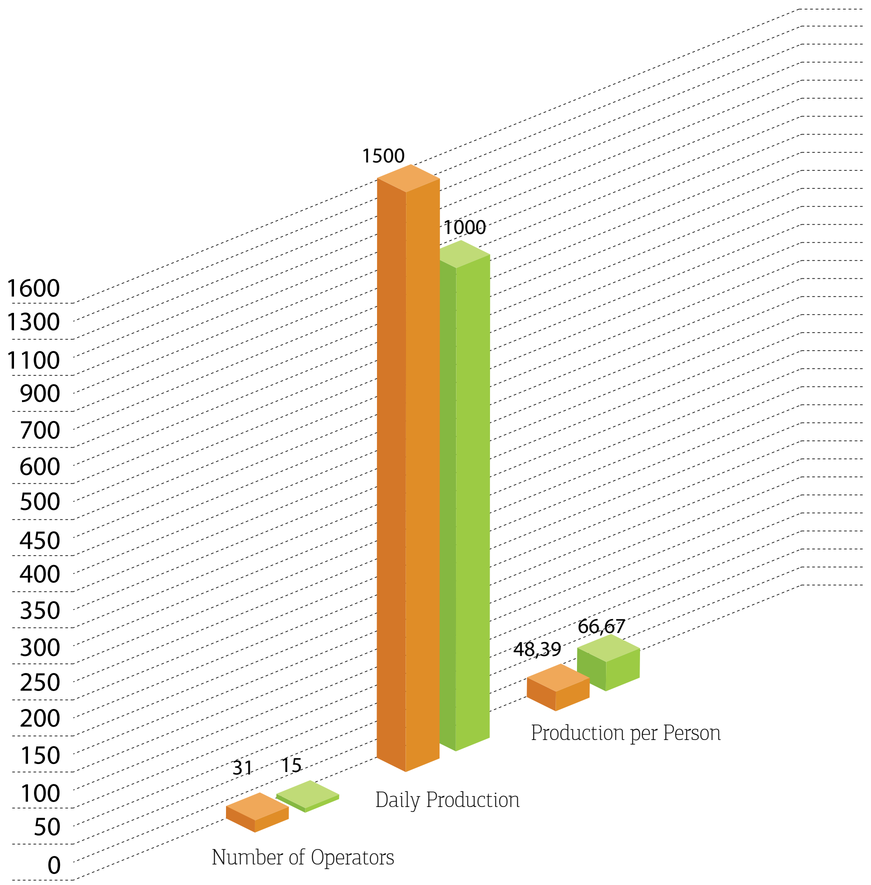
BOARD OF DIRECTORS REPORT



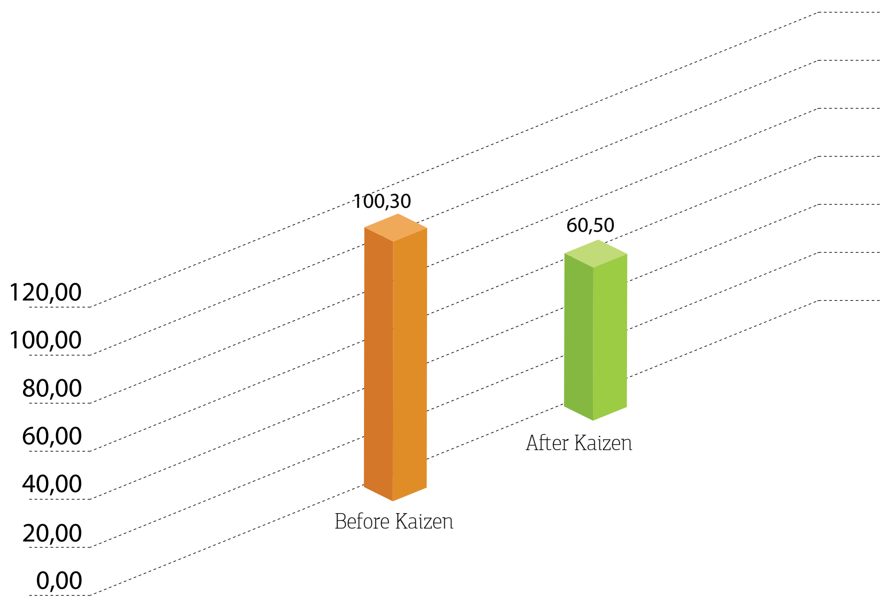
R/O (Reverse Osmosis) Production	Number of Operators	Daily Production	Production per Person	Growth in Productivity
Before Kaizen	31	600	19,35	
After Kaizen	18	500	27,78	44
Difference			**8,42**	



R/O (Reverse Osmosis) Production Area	Area (m^2)	Prod. Area Gain %
Before Kaizen	107,30	
After Kaizen	54,40	49
Difference	**52,90**	



Water Heater Production Area	Number of Operators	Daily Production	Production per Person	Growth in Productivity
Before Kaizen	31	1.500	48,39	
After Kaizen	15	1.000	66,67	38
Difference			**18,28**	



Water Heater Production Area	Area (m^2)	Prod. Area Gain %
Before Kaizen	100,30	
After Kaizen	60,50	40
Difference	**39,80**	

BOARD OF DIRECTORS REPORT

JCR Avrasya Derecelendirme A.Ş. (JCR-ER Eurasia Rating) evaluated the corporate governance practices of IHEVA within the scope of the rules and regulations issued by the Capital Markets Board of Turkey and published the results by issuing a press release on December 28, 2010. In its report, JCR-ER Eurasia Rating determined that the general compliance level of IHEVA with corporate governance principles is 7.39 out of 10. As this level is above the required threshold (7 out of 10), IHEVA has been listed on the ISE Corporate Governance Index since December 29, 2010.

In the section of the report entitled "Report Abstract" — which was prepared by the Board of Directors and that concerns common and sustained transactions carried out with related parties in accordance with Communiqué Serial: IV, No: 52 published by the Capital Markets Board of Turkey — it reads, "With Communiqué Serial: IV, No: 52 on Principles to be Followed by Publicly Held Companies Subject to the Capital Markets Law, which was published by the Capital Markets Board on July 20, 2011, in the event that the amount of transactions concerning assets, services, and obligations carried out by publicly-traded partnerships with related parties within a single fiscal year reaches or exceeds 10 percent of the amount of total assets or gross sales specified in the latest financial statements to be announced to the public, the Board of Directors of the said partnerships shall, pursuant to the Capital Markets Board regulations, prepare a report explaining the conditions of any such transactions and provide a comparison of the same including prevailing market conditions."

The sales made by Ihlas Ev Aletleri Imalat Sanayi ve Ticaret A.Ş. to Ihlas Pazarlama A.Ş., a related party, fall within the scope of the aforementioned communiqué.

As explained in the sections above, the sales made by Ihlas Ev Aletleri Imalat Sanayi ve Ticaret A.Ş. to Ihlas Pazarlama A.Ş. — a related party — fall within the scope of the aforementioned communiqué. IHEVA makes similar sales to other third parties that are not considered related parties. Accordingly, an assessment has been carried out regarding the sales made by Ihlas Ev Aletleri Imalat Sanayi ve Ticaret A.Ş. to Ihlas Pazarlama A.Ş., which are compared to sales made by IHEVA to other third parties based on criteria such as the amount, content, terms, and data presented in the previous valuation report, with the result stating whether the commercial transactions carried out by IHEVA with Ihlas Pazarlama A.Ş. have complied with the conditions of the transactions and prevailing market conditions.

As a result of the assessment, we have concluded that:

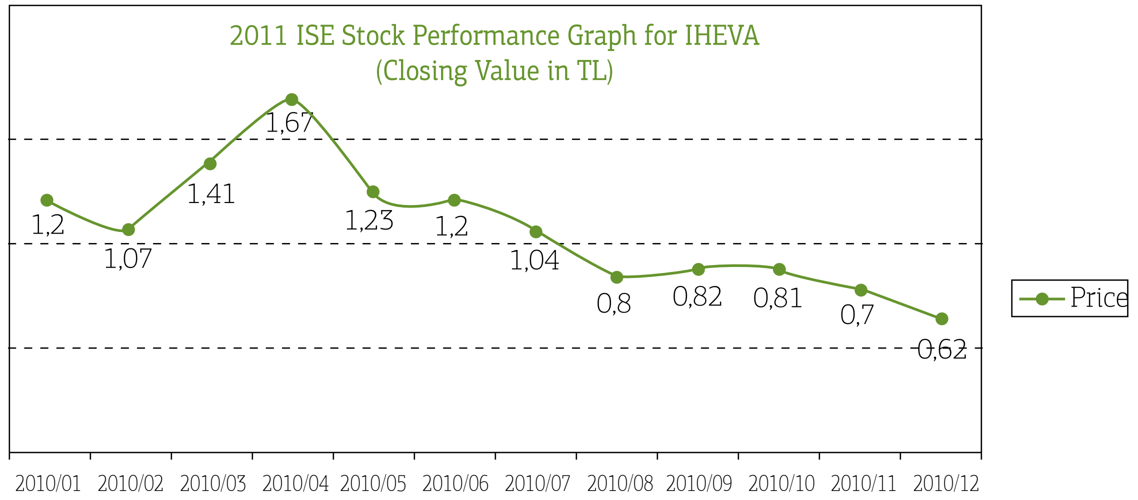
- The total amount of the sales made by IHEVA to Ihlas Pazarlama A.Ş. in 2011 equaled 63,058,069 Turkish lira. Ihlas Pazarlama A.Ş. has been offered a 300-day grace period and a six percent distributorship discount.
- The total amount of sales made by IHEVA to local third parties that are not considered related parties (Acar Dağ. Tekstil Day. ve Dayanıksız Tük. Malları Paz. Tic. Ltd. Şti., Güney Dağ. Paz. ve Tic. Ltd. Şti., Karanfil Dağ. Tanıtım ve Paz. Tic. Ltd. Şti., Seher Gıda Reklam Ev Al. Bas. Dağ. San. Tic. Ltd. Şti. ve Kural Tic. Rek. Day. Tük. Mad. Teks. Gıda Dağ. Paz. Ltd. Şti.) equaled 123,746 Turkish lira, which was received in advance.
- The total amount of the sales made by IHEVA to international third parties that cannot be considered related parties equaled 14,145,059 Turkish lira. A 5,919,503 Turkish lira portion of this amount was paid for semi-finished goods and spare parts and the payment method used for the majority of sales was payment in advance.
- The comparison of the conditions and unit prices of the sales made to the related party, Ihlas Pazarlama A.Ş., and the conditions and unit prices of the sales made to third parties (local and international) that are not considered related parties — in addition to the profitability ratios and data presented in the previous valuation report —, has shown that the amounts and conditions of these sales have been fair and reasonable under the prevailing market conditions, considering the change in the effective interest rate.
- The volume, terms, amount, and unit price of the sales made to Ihlas Pazarlama A.Ş. are consistent with the sales made to unrelated parties.

We would like to thank you, our esteemed shareholders and employees, whose full support and contributions we have always greatly appreciated.

Sincerely yours,

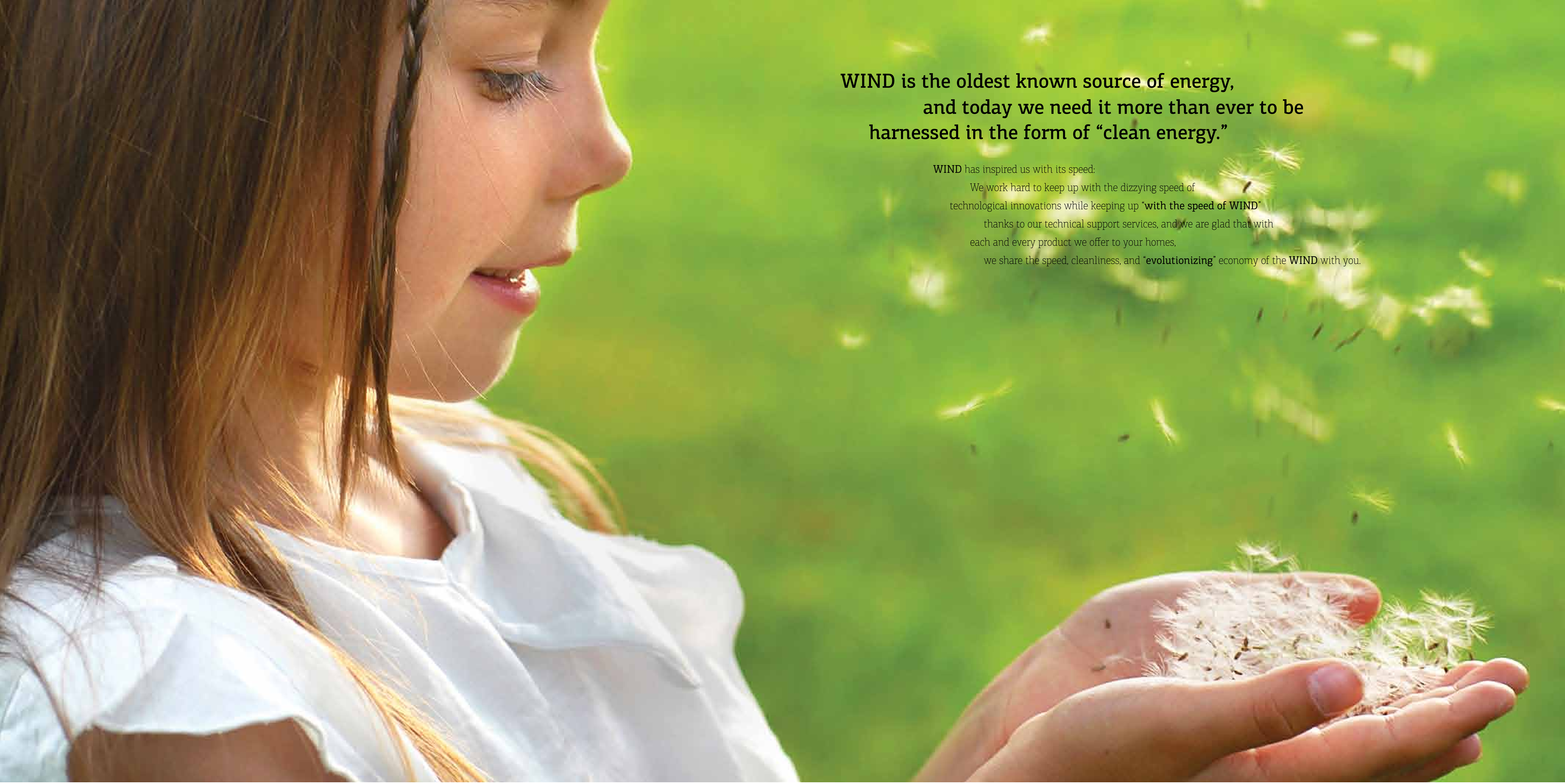
The Board of Directors

January 1, 2011 - December 31, 2011 Fiscal Year (Note 5)	Home Appliances	Mining	Energy	Group Total
Sales Revenues (Net)	98.360.388	1.148.152	-	99.508.540
Cost of Sales (-)	(92.442.567)	(1.029.511)	-	(93.472.078)
Gross Profit/Loss	**5.917.821**	**118.641**	**-**	**6.036.462**
Operating Costs	(10.024.448)	(3.040.475)	(9.189)	(13.074.112)
Other Operating Revenue and Profits	8.520.569	4.447.243	15.564	12.983.376
Other Operating Costs and Losses (-)	(32.701.840)	(989.490)	(2.366)	(33.693.696)
Operating Profit/Loss	**(28.287.898)**	**535.919**	**4.009**	**(27.747.970)**
Financial Income/Expenses (Net)	(4.500.773)	205.594	-	(4.295.179)
Profit/Loss from Continuing Operations before Taxes	**(32.788.671)**	**741.513**	**4.009**	**(32.043.149)**
Total Assets	**221.837.532**	**63.958.574**	**6.709**	**285.802.815**
Total Liabilities	**75.304.649**	**7.033.193**	**9.863**	**82.347.705**



Capital Increases and Dividend Payments

Date	Rights Issues %	Bonus Issues %	Dividends Paid %	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



WIND is the oldest known source of energy, and today we need it more than ever to be harnessed in the form of “clean energy.”

WIND has inspired us with its speed:
We work hard to keep up with the dizzying speed of
technological innovations while keeping up "**with the speed of WIND**"
thanks to our technical support services, and we are glad that with
each and every product we offer to your homes,
we share the speed, cleanliness, and "**evolutionizing**" economy of the **WIND** with you.

microControl

aura

ABOUT IHEVA

Founded in 1975, Ihlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. (IHEVA) began its production operations in 1990. Since then, it has introduced its customers to a wide variety of small household appliances that not only make their lives easier and healthier, but that have also helped them meet their basic needs. Thanks to its highly-skilled technical personnel, IHEVA continues its successful operations at two facilities located in the Beylikdüzü Organized Industrial Zone. The facilities are located in a 21,000 m2 enclosed area that houses the company's manufacturing plants: Cleaning Robots Plant, the Instant Water Heaters and Reverse Osmosis Plant, and the Plastic Injection Mould Facility. IHEVA specializes in the production of a variety of household products, including cleaning robots, reverse osmosis water treatment systems, water heaters, and electronic scales. Since the company sells the vast majority of its products through door-to-door sales rather than through direct sales, it is difficult for IHEVA to provide its stakeholders with an independent study on the industry and on the company's position in the industry, as these door-to-door sales have not yet been accounted for. However, IHEVA is a market leader in the sales of many of these products and is responsible for a significant portion of domestic consumer demand.

IHEVA markets its products under the brand names of Aura, Aura Cleanmax, Aura Roboclean, Aura Cebilon, Aura QVac, and Aura Wdry.

IHEVA distributes its products to its domestic customers by utilizing the extensive dealer network and sales channels of Ihlas Pazarlama A.Ş., a company that puts customer satisfaction first. IHEVA has completed the plans it had initiated for ensuring that its products comply with various national and international quality standards, such as TSE, SGS, UL, KEMA, KEUR, and NMI. IHEVA has always made consistent efforts to ensure that its products comply with all relevant CE basic standards (safety, health, environmental protection) — standards that are now considered mandatory in Turkey — and continues its production operations in full-compliance with these essential requirements. In addition, IHEVA offers a three-year warranty for all of its products, even though the minimum legal warranty period in Turkey is only two years. IHEVA is not only the market leader in cleaning robots — which the company has been producing since 1996 and which account for the lion's share of the company's sales — but also in reverse osmosis-based water treatment systems.

Consistent with its role as a pioneer in the industry, IHEVA has applied to the National Sanitation Foundation (NSF), a United States government agency, to have its Aura Cebilon Reverse Osmosis Water Treatment System certified. NSF is a 55-year old independent, not-for-profit product testing and certification organization, which sets the standards for many home appliances and industrial products. The World Health Organization (WHO) has renewed the status of NFS as a WHO Collaborating Centre for Drinking Water Safety and Treatment. IHEVA has also become a member of the Water Quality Association (WQA) — a U.S.-based not-for-profit international trade association that represents the residential, commercial, and industrial water treatment industry — in order to strengthen its position in the industry. WQA is a leading international authority in providing information, education, and product testing. IHEVA has also achieved an exceptional performance in exports, exporting its products to 34 different countries with the biggest demand coming from Kazakhstan, Poland, Germany, Hungary, Denmark, Malaysia, Uzbekistan, Saudi Arabia, Russia, Greece, Italy, South Africa, South Korea, and Hong Kong. The Turkic Republics and European Union (EU) member countries account for 55 percent and 36 percent of IHEVA's exports, respectively, while the remaining 9 percent go to other countries.

IHEVA's stocks have been traded on the Istanbul Stock Exchange (ISE) since September 26, 1996, with the company's free float rate standing at 79.01 percent at year-end 2011. IHEVA shares have been listed on the ISE National 100 Index since October 1, 2007. IHEVA has been listed on the ISE Corporate Governance Index (XKURY) since December 29, 2010.

JCR Avrasya Derecelendirme A.Ş. (JCR-ER Eurasia Rating) evaluated the corporate governance practices of IHEVA within the scope of the rules and regulations issued by the Capital Markets Board of Turkey (CMB) and published the results by issuing a press release on December 20, 2011. In its report, the JCR-ER Eurasia Rating determined that IHEVA's general compliance level with corporate governance principles is 7.39 out of 10. IHEVA will continue to be listed on the ISE Corporate Governance Index (XKURY) since it achieved a Corporate Governance Principles Compliance Rating higher than 7 points. IHEVA ranked 345th on the list of "Turkey's Next Top 500 Industrial Enterprises in 2010" published by the Istanbul Chamber of Industry (ISO).

IHEVA strives to transform itself into an industrial corporation that can meet the challenges of the 21st century head on and that can engage in production through the use of modern supply and automation systems, becoming a market leader in every product it produces. One of the most important targets of the company is to become one of Turkey's leading industrial organizations that has proven customer satisfaction in quality and speed and that has made a difference in design, production, marketing, and after-sales services.

Humanity has yet to find a cleaner, more renewable, and more sustainable source of energy than ones nature has already provided us: the sun, earth, wind, and water.

Every smile that we bring to your faces gives us a strength unlike any other. Because of this, we want our products to continue to bring you happiness not only today, tomorrow, and in the immediate future, but for generations to come. Here at **IHEVA**, we draw strength from knowing that your **TRUST** in us will never be let down, and instead will only grow the more we work together. We also benefit from two additional sources of energy: One is **KNOWLEDGE** and the other is **DEVOTION!** We have come to you with **DEVOTION** guided by **KNOWLEDGE** and have won your **TRUST** and **DEVOTION!**

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TRADEMARKS AND QUALITY CERTIFICATES

İhlas Ev Aletleri

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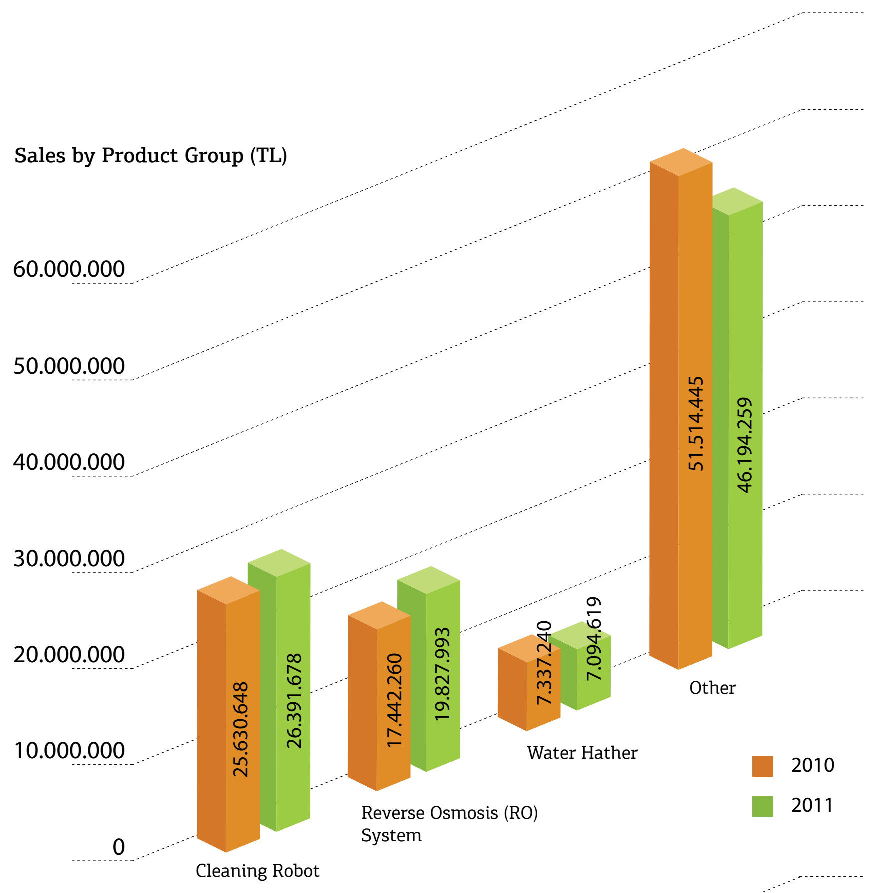
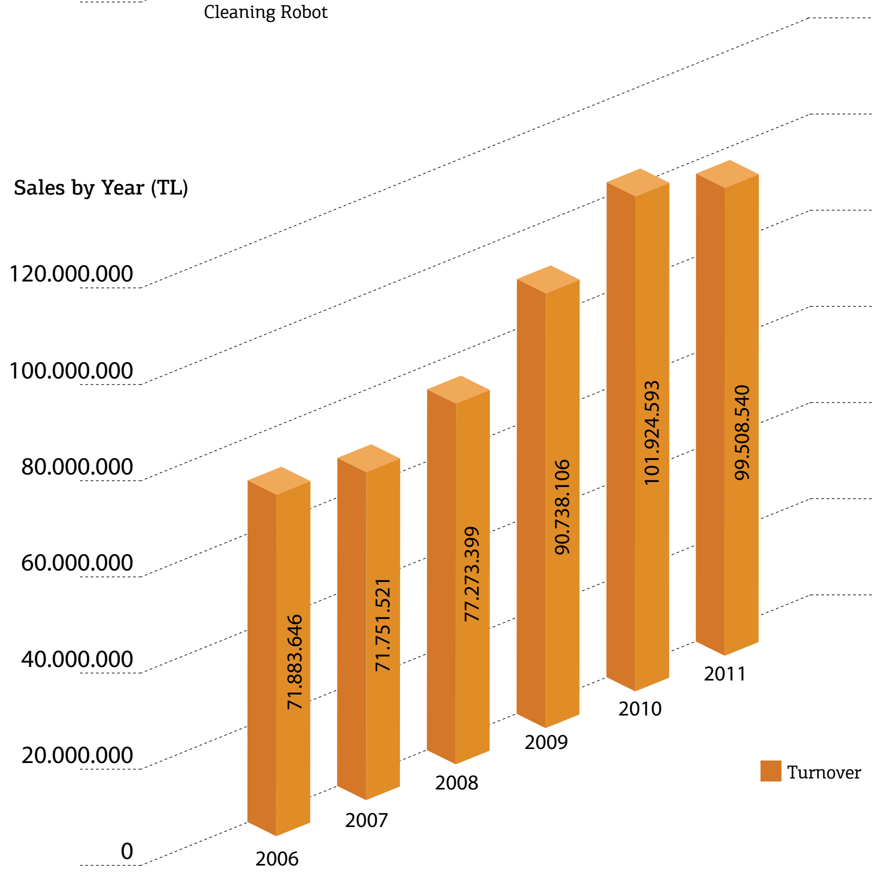
Cebilon | Cleanmax | roboclean | halley | microControl

QVac | Wdry | magneticControl

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

FINANCIAL HIGHLIGHTS





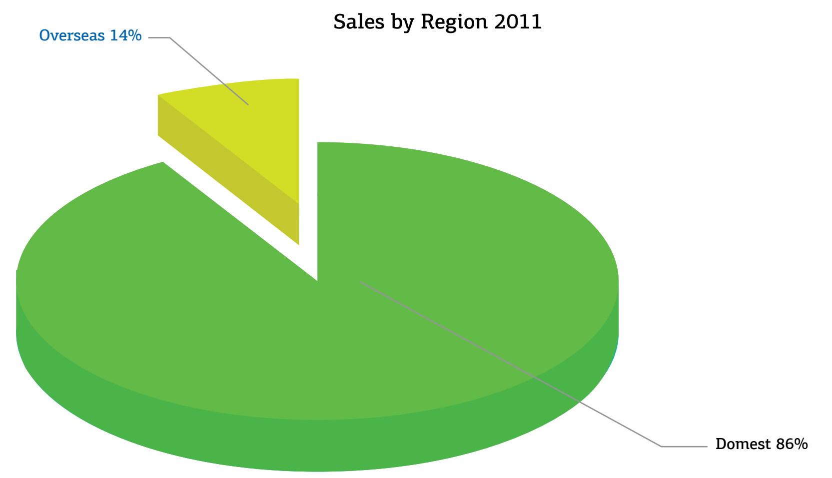
Data (in TL)	2011	2010
Sales	99.508.540	101.924.593
Gross Profit	6.036.462	7.762.361
Operating Profit	(27.747.970)	2.969.953
Profit/Loss for the Period	(25.924.366)	5.315.288
Total Assets	285.802.815	289.388.612
Current Assets	164.268.072	171.350.532
Fixed Assets	121.534.743	118.038.080
Short-Term Liabilities	75.161.693	51.436.254
Long-Term Liabilities	7.186.012	6.464.729
Shareholder Equity	203.455.110	231.487.629

Liquidity Ratios	2011	2010
Current Ratio	2,19	3,33
Liquidity Ratio	1,45	2,39

Profitability Ratios	2011	2010
Gross Profit Margin	0,06	0,08
Operating Profit Margin	-	0,03

Operating Ratios (in days)	2011	2010
Average Collection Period	216	205
Age of Inventory	127	103

Financial Ratios	2011	2010
Bank Loans toTotal Debt	0,35	0,22
Shareholders' Equity toTotal Assets	0,71	0,80
Financial Leverage Ratio	0,29	0,20



CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

In compliance with the Corporate Governance Principles published by the Capital Markets Board of Turkey (CMB), our company has a Board of Directors made up of five members — both executive and non-executive and including two independent members — during the 2011 financial year, which ended on December 31, 2011.

The first of the two independent members is Chairman of the Auditing Committee and the other is Chairman of the Corporate Governance Committee. The Chairman of the Board of Directors, however, does not serve as the General Manager or Chief Executive Officer of the company. The Board of Directors consists of three non-executive members (the chairman and the two independent members) as well as two executive members (the General Manager and Chief Financial Officer). The Corporate Governance Committee focuses on public disclosures and transparency along with the structure of the stakeholders and Board of Directors.

Accordingly, a Code of Ethics and a Public Disclosure Policy have been established and are presented in the relevant sections of this report. In accordance with these principles, which the company considers vital for informing the public and ensuring transparency, relevant information and documents are posted to the company's corporate website in a timely manner.

There is one person employed in the Investor Relations Unit.

An Internal Audit Department was established and internal auditors have been appointed in accordance with a decision of the Board of Directors and on the recommendation of the Audit Committee. The company plans to implement regional as well as nationwide social responsibility projects in line with the its Corporate Social Responsibility policy. Standing by its principle that "good people are those who help others," Ihlas Holding is committed to working for the betterment of humanity irrespective of religion, language, race, gender, or age.

Instances of non-compliance, whether willfully caused or caused by an inability to comply, shall be mentioned in the compliance report and are identified by the Corporate Governance Committee within the framework of the Corporate Governance Principles. It should be noted, however, that the committee has complied with the majority of these principles and that efforts are underway to ensure compliance with all of them. No conflicts of interest have been identified that have resulted from non-compliance with these principles.

JCR Avrasya Derecelendirme A.Ş. (JCR-ER Eurasia Rating) evaluated IHEVA's corporate governance practices within the scope of the rules and regulations issued by the Capital Markets Board of Turkey (CMB) and has determined that IHEVA's general compliance with the aforementioned corporate governance principles is rated a 7.39 out of 10 and the outlook as "Stable." The numerical scores for the four main categories are as follows:

• Shareholders:	6.81
• Public Disclosure & Transparency:	8.04
• Stakeholders:	6.83
• Board of Directors and Executives:	7.40

SECTION I - SHAREHOLDERS

1. Shareholder Relations Unit

Established in compliance with the recommendation of the Corporate Governance Committee in accordance with the CMB Corporate Governance Principles and upon the decision of the Board of Directors, the Shareholder Relations Unit observes and monitors all matters regarding public disclosures. It responds to information requests submitted by investors, financial analysts, members of the press, and other concerned parties and actively uses the company's corporate website to post public disclosures.

Contact Information:

Unit Supervisor	: Uğur Kurt
Telephone	: 0 212 875 35 62 (155)
Fax	: 0 212 875 39 87
Email	: yatirimci@iea.com.tr

The company has appointed Uğur Kurt to be responsible for the fulfillment of the obligations that arise out of the Capital Market Law, stipulated in Article 8, Paragraph 1 of the Communiqué Serial: IV, No: 41 on the "Principles to be Followed by the Joint Stock Corporations Subject to Capital Markets Law" issued by the CMB. Uğur Kurt has acquired the "Capital Market Activities Advanced Level License" by passing the "Capital Market Activities Advanced Level Examination."

Correspondence Address: Mermerciler Sanayi Sitesi 7. Cad. No:12

34524 Beylikdüzü / Istanbul

The majority of information requests submitted by shareholders concern the performance of the company's shares, planned new investments, and operations that have been undertaken by the company or by its subsidiaries.

2. The Use of Shareholders' Rights to Obtain Information

The required explanation concerning information requests submitted by shareholders during the financial year is stated above. Information requests submitted by shareholders are evaluated by the concerned departments in accordance with applicable laws and Corporate Governance Principles and are fulfilled in the shortest time possible.

Developments affecting the use of shareholders' rights to obtain information are discussed in detail in the Public Disclosure Policy of the company. Although the Articles of Association does not contain any regulations regarding the appointment of a special auditor, it should be noted that the company has not received any requests for the appointment of such a special auditor during this or any other financial year.

3. General Shareholders Meeting Information

The Ordinary General Shareholders Meeting for the year 2010 was held at 14:30 on Friday, April 22, 2011, at the company's head office. Following the applicable laws and Corporate Governance Principles, the company announced the Ordinary General Shareholders Meeting for the year 2010 in the Turkish Trade Registry Gazette No. 7783, dated March 30, 2011, and in the following Turkish daily newspapers: Türkiye No. 10573, dated March 30, 2011; and Dünya No. 10573-9397, dated March 30, 2011.

The company implements the requirements for quorum as stipulated in Article 372 of the Turkish Commercial Code (TCC). The Ordinary General Shareholders Meeting, which was held on April 22, 2011, was attended by 25.45 percent of the company's shareholders. Prior to the commencement of the Ordinary General Shareholders Meeting, the company provided its shareholders with access to the Board of Directors Report, a summary of the Independent Auditor Report, Financial Statements, and the Profit Distribution Proposal for the year 2010, both at the company's head office and on the corporate website. Shareholders attending the Ordinary General Shareholders Meeting did not submit any questions on non-agenda items and did not make any proposals.

The Articles of Association do not contain any provisions that stipulate that important decisions on matters such as distribution, sale, purchase, or lease of substantial assets be made by the shareholders attending the Ordinary General Shareholders Meetings. In order to carry out the activities mentioned in the section of the Articles of Association entitled "Objective and Scope," the company's Board of Directors acts in accordance with the provisions of the applicable laws and the Articles of Association on matters concerning assets other than their distribution. The Board of Directors makes Material Event Disclosures through the ISE in accordance with CMB rules and regulations.

Although applicable laws require that announcements about the Ordinary General Shareholders Meetings are made at least two weeks prior to the commencement of any such meeting, the company informs its shareholders at least three weeks in advance in accordance with its Corporate Governance Principles. The company also posts the announcements on its corporate website.

The amendments made to Article 3 (Objective and Scope), Article 11 (Meetings of the Board of Directors), and Article 12 (Authority to Commit and Represent the Company) of the Articles of Association of the Company — which had been approved by the Capital Markets Board of Turkey and by the Ministry of Science, Industry, and Technology, Directorate General for Domestic Trade — were approved by a unanimous vote by the shareholders at the Ordinary General Shareholders Meeting held on April 22, 2011.

4. Voting Rights and Minority Rights

VOTING: (Turkish Trade Registry Gazette No. 3821, dated July 5, 1995)

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

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

Article 22: During the meetings, shareholders are prohibited from voting on personal matters or on situations that are between themselves, their spouses, their parents, their children, or their siblings and the Company.

Companies in mutual ownership arrangements may vote during General Shareholders Meetings by way of representation, provided that this mutual ownership leads to shareholder sovereignty. The company did not receive any requests for the representation of minority shares in the Board of Directors. The Articles of Association does not contain any provisions regarding cumulative voting.

5. Dividend Distribution Policy and Deadline

At the Board of Directors meeting held on December 30, 2011, the Board of Directors resolved that the Dividend Distribution Policy for 2011 and for upcoming years be disclosed to the public in accordance with the company's Public Disclosure Policy, be included in the annual report, and be submitted for the review of the company's shareholders at the next General Shareholders Meeting.

The Dividend Distribution Policy for 2011 and for upcoming years was determined by taking into account the fine balance between the expectations of the shareholders and the company's growth targets, planned investment spending, working capital requirements, and profitability; and also by making sure that the shareholders receive dividend income as follows, which will be submitted for the review of the company's shareholders at the next General Shareholders Meeting:

a) The portion of the profit for the financial year is set aside — as required by the Turkish Commercial Code, the Taxation Procedure Law, the Capital Market

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Law, resolutions of the Capital Markets Board, relevant legislation, and Articles of Association of the company — and the amount of the profit available for distribution is determined.

b) Profit will be allocated in accordance with the minimum profit distribution rate specified by the Turkish Commercial Code, the Taxation Procedure Law, the Capital Market Law, resolutions of the Capital Markets Board, relevant legislation, and Articles of Association of the company by taking into account the growth prospects, profitability, strategic objectives, planned investment projects, and working capital of the company. Taking into account the profit distribution potential of the company, the Board of Directors can resolve to determine a rate which is higher than the minimum profit distribution rate, which it can then submit for approval by the shareholders during General Shareholders Meetings.

c) If the Board of Directors passes a resolution to distribute dividends, it decides whether the shareholders will receive cash dividends or bonus shares and submits it to the approval of the shareholders during General Shareholders Meetings.

d) In case the Board of Directors decides to not distribute any dividends at the General Shareholders Meeting, the basis for the decision and information on the proposed use of the profit should be announced to the shareholders and published in the annual report, registration statements, and circulars. e) There is no privilege regarding dividend distributions. The dividends are distributed equally among all existing shareholders regardless of issuance and acquisition dates of the shares. f) The Articles of Association does not contain any articles concerning distribution of dividends to managers and employees.

g) Dividends shall be distributed to the shareholders in accordance with the relevant legal regulations and Article 30 of the company's Articles of Association following the approval of the shareholders at General Shareholders Meetings, within the period prescribed by the applicable law, following the approval of the shareholders at the General Shareholders Meeting. The date of the dividend distribution shall also be determined by the shareholders at the General Shareholders Meeting.

h) The Board of Directors informs the public of the donations and grants it has already made or plans to make during the financial year by the end of each financial year.

i) The Board of Directors maintains a balance between the interests of the shareholders and those of the company in pursuing its dividend payment policy.

According to Article 29, which concerns dividend distributions, and Article 30, which concerns the dates of dividend distributions, of the Articles of Association:

DIVIDEND DISTRIBUTION: (Turkish Trade Registry Gazette No. 4720, dated January 29, 1999)

Article 29: Dividend is the amount left over at the end of each financial year and is reported in annual financial statements after overhead expenses as well as various depreciations that must be paid by the company are deducted from the revenue and is determined at the end of each financial year. The remaining net profit is allocated as follows:

Legal Reserve:

a) The company allocates 5 percent of its net profit for legal reserves. (Article 466/1 of the Turkish Commercial Code) 4/17

Financial Liabilities:

b) The amount of current corporate taxes imposed on the company is set aside.

Primary Dividend:

c) From the remaining amount, a primary dividend shall be set aside at a percentage and in an amount determined by the Capital Markets Board.

Secondary Dividend:

d) General Shareholders Meetings are authorized to decide whether to allocate some or all of the remaining amount as secondary dividends once the dividend mentioned in paragraphs (a), (b) and (c) are deducted from the net profit or to recognize this amount on the balance sheet as end-of-quarter profits. (Article 466/3 of the Turkish Commercial Code is reserved.)

e) Unless the legal reserves required by the applicable laws and the primary dividends determined in the Articles of Association for shareholders are not allocated, no other legal 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, and laborers may not receive any dividends unless the primary dividends are distributed.

DIVIDEND PAYMENT DATE: (Turkish Trade Registry Gazette No. 4359, dated August 21, 1997)

Article 30: The dividend payment date is determined at the General Shareholders Meetings following a proposal by the Board of Directors. Dividend payments must be carried out in accordance with the provisions of the Capital Market Law.

6. Transfer of Shares

The procedure for the transfer of shares is described in the Articles of Association as follows:

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

Article 8: In order for the registered shares to be transferred, the founding shareholders are first offered the option to purchase shares at their current market value; if none of the founding shareholders purchases the shares within a month, the shares may then be sold to a third party. Any appropriations made to the contrary shall not only be considered void, but also shall not be recorded in the shareholders book.

The procedures stipulated in Article 8 shall be applied in instances of pledging, seizure, or other similar pertinent rights imposed on the shares. Preferential rights stipulated in Article 8 are reserved for compulsory executions. In the event that these preferential rights are infringed upon, the Board of Directors is authorized to record the sale and transfer or any changes in ownership rights in the shareholders book. However, the shares that are obligated to be sold, transferred, or inherited due to seizures, foreclosures, inheritances, or rights arising from applications of Turkish laws are first offered to founding shareholders at their 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 Disclosure Policy

Purpose:

Ihlas Ev Aletleri İmalat San. ve Tic. A.Ş. (IHEVA) pursues a transparent and effective public disclosure policy in order to inform the company's shareholders in a fair, complete, transparent, and accurate manner in accordance with applicable laws and CMB Corporate Governance Principles. All information that is not regarded as a trade secret and that can be disclosed legally is disclosed to the public. The objective of the public disclosure policy is to communicate the company's past performance, future expectations, strategies, targets that are not regarded as trade secrets, and vision with the public as well as with concernced authorized bodies, existing and potential investors, and shareholders in an effective and open manner. IHEVA complies with the Capital Market Law and with the rules and regulations of the ISE in all of its public disclosures. IHEVA also aims to maximize the effectiveness of its communications policy in accordance with CMB Corporate Governance Principles.

Authority and Responsibility:

IHEVA's Public Disclosure Policy has been established by the Board of Directors. The monitoring, supervision, and development of IHEVA's 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. The aforementioned individuals fulfill their responsibilities in close cooperation with the Corporate Governance Committee, the Audit Committee, and the Board of Directors.

Methods and Tools:

IHEVA communicates its public disclosures through various means including material event disclosures, financial statements and reports, annual reports, its corporate website, presentations, investor meetings, information notes, and press releases. The main methods and tools used for public disclosures are as follows:

Material event disclosures communicated to the ISE and to international stock exchanges where IHEVA's shares are traded. Financial statements and associated footnotes, independent audit reports, and declarations regularly communicated to the ISE and international stock exchanges where IHEVA's shares are traded. (These reports are also available on the company's corporate website. Annual reports and financial statements are periodically made available both in print and electronic formats on the company's corporate website.)

Annual reports. (These reports are made available to concerned parties both in print and electronic format on the company's corporate website.)

The company's corporate website, located at www.iea.com.tr

Notices and announcements published in the Turkish Trade Registry Gazette and in high-circulation national and local newspapers whenever necessary.

Periodic and other issue-based press releases distributed via the visual and printed media.Meetings with investors and analysts, either face-to-face or through telephone, email, or fax. Disclosures made to data distribution organizations.

Material Event Disclosures:

IHEVA's material event disclosures are prepared by the Investor Relations Unit under the supervision of the Chief Financial Officer. The disclosures are then signed by the authorized signatory officers of the company and disclosed to the public in accordance with the rules and regulations issued by the CMB and the ISE. IHEVA takes the following measures in order to ensure the confidentiality of the aforementioned information until the material event disclosures are made public.

IHEVA places great emphasis on the fact that all company employees adhere to the rules concerning the use of insider information in order to ensure that the balance between transparency and protection of the company's interests is maintained. All the necessary measures and precautions are taken to prevent the illegal use of insider information. Documented and disseminated throughout the organization, the "Code of Ethics" unambiguously sets out the code of conduct expected of all IHEVA employees in their work lives.

Any information obtained during the course of employment and which the company does not want to be disclosed to any third parties (except those who are intended to receive it) or that can be considered a trade secret is considered "Company Proprietary Information." All IHEVA employees protect and do not use, either directly or indirectly, company information during or after their employment.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Confirmation of News or Rumors

In the event that any news or rumors which may appear in the media contain any information that has already been made public through material event disclosures, registration statements, circulars, announcements approved by the Board of Directors, and financial statements, and that they do not provide any additional information, a material event disclosure is not required. On the other hand, although a material event disclosure may not be required, should the company make a request for an explanation concerning the news or rumor in question, this matter is brought to the agenda of the Board of Directors by the Chief Financial Officer and is shared with the public through a material event disclosure. If the news or rumor in question contains any issue which requires a material event disclosure to be made in accordance with the relevant CMB communiqué, the company makes every effort to ensure that the required material event disclosure is communicated to the concerned stock exchange before the opening of the exchange and no later than 9:00 o'clock, without waiting for a warning, statement, or request from the Board of Directors or the related stock exchange, in order to ensure the uninterrupted continuity of market transactions and sessions.

Public Disclosure of Financial Statements:

IHEVA's financial statements are prepared in accordance with the provisions set out by the CMB and are disclosed to the public after being audited by an independent audit firm that conducts its auditing activities in compliance with International Auditing Standards. Before being disclosed to the public, financial statements and their footnotes are submitted to the Board of Directors for approval following the recommendation of the Audit Committee in compliance with the Capital Market Law. After the authorized signatories sign the attestation, the financial statements and their footnotes and the independent auditing report are sent to the ISE in accordance with the Capital Market Law as well as with the rules and regulations of the ISE. Visitors can access the financial statements and their footnotes in the Investor Relations section of the company's corporate website. Moreover, IHEVA's Investor Relations Unit prepares periodic presentations on information notes or financial data and ratios and posts them on the company's corporate website to ensure a better understanding of the financial affairs of the company.

Annual Report:

The content of the annual report is prepared in accordance with international standards, Capital Market Law, and CMB Corporate Governance Principles. The annual report is then submitted to the Board of Directors for approval. The annual report is disclosed to the public on the company's corporate website.

Concerned parties may obtain a print version of the annual report, either in Turkish or in English, from the Investor Relations Unit, if they so wish.

Designation of Individuals with Administrative Responsibilities:

Individuals with administrative responsibilities who are privy to insider information are designated based on the sensitivity of the information they have access to. Accordingly, managers and other employees who are privy to detailed information about only a limited portion of the company's business activities shall not be considered people who have access to insider information.

However, members of the Board of Directors, the General Manager, and certain department heads and senior managers working at the head office who not only have detailed information on current business affairs but who also have information concerning future plans of the company shall be considered employees who have access to insider information. A list of employees who fall under these criteria is prepared. This list can be sent to the Capital Markets Board and concerned stock exchanges upon request in accordance with the relevant CMB communiqué.

Corporate Website and Contents:

All information which is required to be included in the company's Corporate Governance Principles may be accessed in the Corporate Governance, Human Resources, and Investor Relations sections of the company's corporate website. Most of the information posted on the company's corporate website is provided both in Turkish and in English. IHEVA's corporate website offers important information under the following main categories:

• Company Profile
• History
• Mission & Vision
• Quality Management
• Human Resources Policy
• Annual Reports
• Public Disclosure Policy
• Dividend Distribution Policy
• Code of Ethics
• Corporate Social Responsibility Policy
• List of Individuals Who Have Access to Insider Information
• Transactions of Individuals Who Have Access to Insider Information
• Corporate Governance Principles Compliance Report
• Partnership Structure
• Privileged Shares
- Subsidiaries & Affiliates
- Board of Directors & Committees
- Senior Management
- Organizational Chart
- General Shareholders Meetings
- Financial Information
- Material Event Disclosures
- Frequently Asked Questions
- Presentations
- Share Performances
- Articles of Association
- Trade Registry Information
- Registration Statements
- IPO Circulars
- Share Information

Announcements and Disclosures Published in the Turkish Trade Registry Gazette and in Daily Newspapers:

Announcements regarding General Shareholders Meetings, capital increases, and dividend distributions are published in Turkish Trade Registry Gazette and in daily newspapers in accordance with the Capital Market Law, the Turkish Commercial Code, and Articles of Association. Questions asked or information requested by members of the press or media in relation to developments and performance of the company are reviewed and responded to in writing, regardless of whether the responses are negative or positive.

Investor and Analyst Meetings and Conferences:

IHEVA has set up an Investor Relations Unit that is responsible for handling relations with both existing and potential shareholders, for responding to questions asked by the investors as satisfactorily as possible, and for managing efforts to enhance the company's value. Relations with shareholders are managed by this unit in coordination with the Chief Financial Officer.

The shareholders and the analysts can also closely follow developments concerning IHEVA through the company's corporate website, which is regularly updated by the Investor Relations Unit, and through the information notes delivered to shareholders via the Internet.

Forward-Looking Statements:

Ihlas Holding A.Ş. and/or IHEVA may occasionally issue forward-looking statements concerning their respective public disclosure policies. The forward-looking statements made by the company in written format are based on certain assumptions. Due to risks, ambiguities, or other factors, the actual results may be significantly different from the expected results expressed in these statements; investors are advised to take this into account.

8. Material Event Disclosures

IHEVA made 23 material event disclosures in accordance with CMB rules and regulations in 2011. CMB did not request any additional disclosure statements.

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

The CMB did not impose or enforce any penalties for any failure to make material event disclosures on time.

9. Corporate Website and Contents

The address of IHEVA's corporate website is www.iea.com.tr

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

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

Information about the company's ultimate controlling individual shareholder/shareholders, determined after eliminating the effects of indirect and mutual ownership, is not disclosed to the public; however, this information has been included in the relevant articles of registration statements delivered to the CMB for capital increases.

As of December 31, 2011, the status of real and legal persons who indirectly own shares in the company is as follows:

SHAREHOLDER	Share %	Share Amount (TL)
İhlas Pazarlama Yatırım Holding A.Ş.*	17,60	33.681.000
İhlas Holding A.Ş.	7,32	14.000.000
Halka Açık	74,83	143.205.723
Diğer	0,25	483.278
TOPLAM	100	191.370.001

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

(*)INDIRECT SHAREHOLDER	Share %	Share Amount (TL)
Ihlas Holding A.Ş.	16,88	32.302.834
Other	0,72	1.378.166
TOTAL	17,60	33.681.000

11. Public Disclosure of Individuals Who Have Access to Insider Information

The list of individuals who are classified as persons who have access to insider information has not been disclosed to the public. The Audit Committee has identified the following individuals as persons who can access to insider information in accordance with CMB Corporate Governance Principles:

Adı Soyadı	Title
Abdullah Turalı	CBD, Member of the Audit Committee and Corporate Governance Committee
Sedat Kurucan	VCBD, General Manager
Mehmet Küsmez	MBD, Chief Financial Officer
M.Şeref Kardeş	IMBD, Chairman of the Audit Committee
Ümit Güney	IMBD, Chairman of the Corporate Governance Committee
Mahmut Kemal Aydın	Financial Coordinator of the Parent Company
Ali Tubay Gölbaşı	Finance Coordinator of the Parent Company
Ömer Şaban Kamber	R&D Director
Bülent Kaya	Purchasing Department Director
Erkan Adıgüzel	Production and Planning Department Director
Mustafa Salih Yazıcı	Human Resources Director
Metin Cahit Koyu	IT Director
Uğur Kurt	Member of the Strategic Planning and Corporate Governance Committee
Mehmet Ercan Akgün	Internal Auditing Manager
Turgut Sayar	Controller
Muhammet Muammer Gürbüz	Subsidiary CEO
Abdullah Tuğcu	Subsidiary CFO
Av.Zafer Karslıoğlu	Attorney
Salim Akgül	İrfan YMM A.Ş. Responsible Partner, Lead Auditor
Şükrü Yavuz	Pür Bağımsız Denetim Yeminli Mali Müşavirlik A.Ş. Responsible Partner, Lead Auditor
Hüseyin Perviz Pür	Pür Bağımsız Denetim Yeminli Mali Müşavirlik A.Ş. Responsible Partner, Lead Auditor
Ercan Çardak	Pür Bağımsız Denetim Yeminli Mali Müşavirlik A.Ş., Lead Auditor
Uğur Yıldırım	Pür Bağımsız Denetim Yeminli Mali Müşavirlik A.Ş., Lead Auditor
Nilgün Karataş	Pür Bağımsız Denetim Yeminli Mali Müşavirlik A.Ş., Auditor
Serkan Terzi	Pür Bağımsız Denetim Yeminli Mali Müşavirlik A.Ş., Auditor
Faruk Çardak	Pür Bağımsız Denetim Yeminli Mali Müşavirlik A.Ş., Assistant Auditor

	Title
Faruk Çardak	Pür Bağımsız Denetim Yeminli Mali Müşavirlik A.Ş., Assistant Auditor
Funda Songül Şahin	Pür Bağımsız Denetim Yeminli Mali Müşavirlik A.Ş., Assistant Auditor
Gürsoy Orman	Pür Bağımsız Denetim Yeminli Mali Müşavirlik A.Ş., Assistant Auditor
Özkan Yavuz	Pür Bağımsız Denetim Yeminli Mali Müşavirlik A.Ş., Assistant Auditor
Şükrü Fehim Demiray	Board of Directors Secretariat
Şevket Güleç	JCR Avrasya Derecelendirme A.Ş. Member of the Rating Committee
Ceyhun Kır	Member of the JCR Rating 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

12. Informing Stakeholders

IHEVA responds to information requests from the stakeholders of the company in accordance with applicable laws and CMB Corporate Governance Principles.

Accordingly, IHEVA regularly and frequently informs its employees, suppliers, dealers, and after-sales technical service personnel about relevant issues through training sessions and newsletters, and thus contributes to the establishment of synergy across the different business units of the company.

IHEVA respects the rights of its stakeholders, who are protected under applicable laws and contracts.

13. Participation of the Stakeholders in the Management

The extensive weekly quality meetings, attended by production, supply, after sales, and management teams, encourages stakeholders to participate in management in examining the quality of products, after sales services, and management and in evaluating the latest developments of ongoing projects.

IHEVA plans to develop mechanisms and models that encourage the participation of stakeholders, especially its employees, in the management of the company without interfering with the business activities of the company. Accordingly, IHEVA has taken some initial steps towards making sure that its employees take active roles in the management of the company and has begun to provide them with training from specialized trainers on a wide variety of topics, including the learning company, learning to learn, change management, human relations, and others. The company also continues its vocational training activities.

14. Human Resources Policy

Standing by its principle that "investing in people always pays off," IHEVA's human resources policy aims to create a team that is open to change and to continuous learning, that is productive, and that aims to perform in the best way possible.

Additionally, the Board of Directors has adopted and implements the following principles actively and unanimously in accordance with Article 4, Section III of the CMB Corporate Governance Principles:

- Provide equal opportunities for equal abilities.
- Inform employees of their personal rights, career opportunities, and other benefits offered by the company.
- Provide employees with a safe work environment and working conditions.
- Make no discrimination among employees and take necessary measures to prevent any maltreatment of employees.

As part of our human resources policy, the Board of Directors has assigned Mustafa Salih Yazıcı to serve as Human Resources Director. He is responsible for the management of employee relations.

IHEVA has not received any complaints from its employees regarding discrimination.

On December 22, 2010, the Board of Directors evaluated a draft study prepared by the Human Resources Department that suggested revising the existing personnel guidelines and drawing up an updated set of guidelines to regulate matters such as appointments, promotions, advancements, rewards, motivation, and disciplinary measures (warnings, reprimands, discharges, and so on). This study has been incorporated into the Company Quality Manual and was put into force as of the date of the resolution.

15. Information on Relations with the Clients and Suppliers

IHEVA is obligated to take every measure to ensure customer satisfaction concerning the marketing of goods and services.

Accordingly,

IHEVA gives priority to suggestions and complaints originating from final consumers, relevant non-government organizations or public organizations and creates solutions based on ensuring customer satisfaction concerning the goods and services purchased by consumers.

IHEVA has completed the processes that was put in place to ensure the compliance of its products with international quality standards such as TSE, Kema Keur, UL, and others, and has earned the right to affix the CE mark to its products, certifying that its products are not harmful to human health and safety, plants, animals, or the environment and that they comply with mandatory health, safety, environmental, and consumer protection laws.

IHEVA not only takes necessary precautions in order to recover and compensate any sub-standard products and services and to prevent the production of any sub-standard products during the manufacturing processes by way of quality control systems, but also implements joint precautionary measures even with the suppliers of its suppliers to ensure that their suppliers comply with the applicable standards.

Moreover, goods and services that are sub-standard despite all precautionary measures are repaired and compensated for. In addition, IHEVA offers a three-year warranty for all of its products, even though the minimum legal warranty period in Turkey is only two years.

16. Corporate Social Responsibility

IHEVA strives to achieve its objectives of improving quality of life, supporting economic development, and complying with environmental and consumer safety and public health laws and regulations and carries out its activities in accordance with the company's Code of Ethics. IHEVA does not employ minors, shuns all types of forced and exploitative labor practices, and does not allow discriminatory practices in its recruitment and employment processes.

IHEVA gives priority to damage prevention as opposed to damage control in environmentally-related matters.

IHEVA keeps up-to-date with environmentally-related social projects and plans to support projects it considers relevant and to play a pioneering role in their implementation.

IHEVA separates waste at its source in accordance with the Regulation on Packaging Waste Control and recycles whenever it is able to do so through licensed recycling companies.

IHEVA has signed a packaging waste certification contract with the Consumer and Environmental Education Foundation (TÜKÇEV) in order to educate society about environmental responsibility within the scope of the Regulation on Packaging Waste Control. The provisions of the contract have the following requirements:

• TÜKÇEV shall inform IHEVA about regulations and legislations issued by the Ministry of Forestry and Water Works or by other government agencies concerning environmental issues and packaging waste as well as other legislative studies conducted across the European Union and in other developed countries.

• TÜKÇEV shall use the revenue obtained through the contracts signed with companies to raise public awareness about reducing package waste at its source; collecting, recovering and recycling packaging waste; and environmental issues. It shall also develop environmental sensitivity, create environmental projects ,and carry out training activities regarding recovery. TÜKÇEV shall inform IHEVA about all activities it carries out.

• According to the provisions of the relevant regulation concerning IHEVA's packaging waste recycling obligations, TÜKÇEV shall report to the Ministry of Forestry and Water Works — on behalf of IHEVA — when it has collected the waste materials, the type and amount of waste which has been agreed upon with IHEVA, and will inform them when they have been recycled.

• TÜKÇEV shall work with companies that have obtained an environmental license or temporary operation permit from the Ministry of Forestry and Water Works for the aforementioned services.

• TÜKÇEV shall submit documents concerning the recovery obligations of IHEVA to the Ministry of Forestry and Water Works on behalf of IHEVA.

IHEVA did not cause any harm to the environment during the 2011 financial year. Similarly, there were no conditions present that required an environmental impact assessment report about the company.

IHEVA became a sponsor of the Career Summit held at the Haliç Congress Center on June 23-24, 2011, where the leading Turkish industrialists, business people, and executives — including Vedat Akgiray, Hüseyin Erkan, Hüseyin Aydın, Temel Kotil — shared their experiences with the young participants.

SECTION IV - BOARD OF DIRECTORS

17. Structure and Creation of the Board of Directors and Independent Members

Adı Soyadı	Title
Abdullah Turalı	CBD, Member of the Audit Committee
Sedat Kurucan	VCBD, General Manager (Executive Member)
Mehmet Küsmez	MBD, Chief Financial Officer (Executive Member)
Ümit Güney	IMBD, Chairman of the Corporate Governance Committee
M.Şeref Kardeş	IMBD, Chairman of the Audit 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, IHEVA's Board of Directors consists of both executive and non-executive members. Moreover, the positions of Chairman of the Board of Directors and General Manager are filled by different individuals and more than half of the members of the Board of Directors do not have an executive role. In addition, two members of IHEVA's five-member Board of Directors are independent. The Declaration of Independence of the independent members of the Board of Directors is as follows:

DECLARATION OF INDEPENDENCE

• I declare that in the past two years, there has not been any direct or indirect relationship of interest between Ihlas Ev Aletleri Imalat San. Tic. A.Ş. (the Company) or its subsidiary Ihlas Yayın Holding A.Ş. and group companies and myself, my spouse, or my relatives to the third degree with respect to employment, capital, or commerce; and

• I have not taken part in the independent audit process in the past two years and I am independent according to law, the Articles of Association, and the CMB Corporate Governance Principles.

Ümit Güney

DECLARATION OF INDEPENDENCE

• I declare that in the past two years, there has not been any direct or indirect relationship of interest between Ihlas Ev Aletleri Imalat San. Tic. A.Ş. (the Company) or its subsidiary Ihlas Yayın Holding A.Ş. and group companies and myself, my spouse, or my relatives to the third degree with respect to employment, capital, or commerce; and

• I have not taken part in the independent audit process in the past two years and I am independent according to law, the Articles of Association, and the CMB Corporate Governance Principles.

Mehmet Şeref Kardeş

There were no circumstances in the 2011 financial 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. Qualifications of Board Members

The minimum qualifications required for election to the company's Board of Directors are not regulated in the Articles of Association. However, according to the qualifications stated in CMB Corporate Governance Principles Section IV, Article 3.1.1, Article 3.1.2, and Article 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 who are knowledgeable about the company's areas of activity and management, preferably with a higher education degree, may be elected to the Board of Directors. All board members fulfill these minimum qualifications.

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

IHEVA posts its mission and vision on its corporate website and shares it with the public through annual 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 to create an organization with know-how in providing services and products such as home appliances.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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 Goals

IHEVA's Board of Directors approves the strategic goals identified by the company's managers. Strategic goals are identified by department heads after they are discussed and evaluated during the meetings chaired by the General Manager. The goals are then finalized before they are submitted to the Board of Directors, which has to approve them before they can be implemented. The Board of Directors regularly and periodically reviews the progress made towards the achievement of the goals and evaluates past performances and activities.

20. Internal Control and Risk Management Mechanism

IHEVA's Board of Directors has authorized the Audit Committee to create a department that shall be responsible for the preparation of necessary actions and procedures regarding risk management and internal control systems.

The Board of Directors passed a resolution on December 1, 2006 to appoint Mehmet Ercan Akgün as Internal Auditing Manager in accordance with the recommendation of the Audit Committee. Management of various types of risks has gained importance in today's competitive global economy. Governments, shareholders, customers, and society expect reliable and effective control processes from businesses. The team, established by the Audit Committee, shall be created to identify significant risks faced by the company, to create solutions that will handle these risks, and to provide the necessary support crucial for pinpointing opportunities needed to grow and develop, which are all necessary to meet the expectations of stakeholders concerning risk management and to turn any risks into opportunities for the organization.

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

The authority and responsibilities of the board members and senior executives are established by applicable laws, the Code of Ethics, and internal procedures. They are outlined in the Articles of Association as follows:

A) Duties and Responsibilities of the Board of Directors

The company is managed and represented by the Board of Directors.

Documents submitted and agreements made by the company shall be deemed valid only if signed by the individuals who are authorized to commit and bind the company. The signatures that may be used to commit and bind the company are assigned and determined at the General Shareholders Meetings. The Board of Directors elects a chairman from among its members and a deputy chairman to stand in for the chairman in his or her absence.

The Board of Directors may set up committees and commissions from among its members to manage operations, prepare items to be presented to the Board of Directors, and submit reports on vital matters such as the preparation of balance sheets and follow up on resolutions.

The Board of Directors may elect an Executive Director(s) from among its members in order to delegate some of its executive powers upon them if this is warranted by circumstances. The Board of Directors may also commit and bind the company by appointing managers. The Board of Directors is responsible for keeping the company books and for keeping the balance sheet for the previous financial year, which it then submits to shareholders for review at least 15 days prior to the commencement of the General Shareholders Meetings, in accordance with the provisions of applicable laws. At the end of each year, the Board of Directors issues a report that shows the commercial, financial, and economic status of the company in addition to a summary of the business and operations performed. In the report, the Board of Directors also prepares a proposal regarding the determination of the amount of earnings to be distributed, as well as the amount that constitutes the reserve fund, and presents this report and the proposal to the General Shareholders Meeting. Report and proposal documents shall be submitted to the shareholders for their review at least 15 days prior to the commencement of the General Shareholders Meetings. The Board of Directors shall carry out the necessary studies to meet the requirements stipulated in the Corporate Governance Principles that has been or that will be issued by the Capital Markets Board.

B) Minimum Qualifications Required for the Election of Board Members

As a principle, individuals with extensive knowledge and skills who have sufficient experience and background shall be elected as members of the board. Any individuals who have been jailed for more than five years — with the exclusion of time served for crimes of negligence — for actions that go against Capital Market legislation, insurance legislation, banking legislation, anti-money laundering legislation, or legislation on lending money; or any individuals who have been sentenced to five years of penal servitude for crimes of simple or aggravated embezzlement, extortion, bribery, robbery, fraud, forgery of official documents, misappropriation during service, fraudulent bankruptcy, aggravated contraband, conspiracy to rig an official bid or trading, disclosure of government secrets, or tax evasion by forging official documents, shall resign from their posts immediately and shall not hold this post for five years starting from the date of conviction if they have been sentenced for the crimes herein mentioned within the past five years of being elected as a member of the board. Any individual who has the attributes mentioned herein shall not be elected as a member of the Board of Directors for the next five years.

Members of the Board of Directors shall be elected from among those qualified individuals who are knowledgeable about the business area and the management of the company and who have gained experience by having worked in the private or public sector.

Within the aforementioned general criteria, minimum qualifications expected of candidates for board membership are as follows:

a- Ability to read and analyze financial statements and reports.

b- Basic knowledge regarding the legal arrangements the company is subject to, both in its daily as well as in its long-term transactions and operations.

c The ability and determination to participate in all of meetings of the Board of Directors during the financial year in question.

22. Principles of Activity of the Board of Directors

Matters regarding the procedures and frequency of Board of Directors meetings, meeting and resolution quorum, methods of raising objections to resolutions, and issues concerning the validity of board decisions are regulated by the provisions found in Article 330 of the Turkish Code of Commerce.

Agendas of Board of Directors meetings consist of matters decided in previous meetings to be re-discussed in upcoming board meetings and other matters determined by the senior management of the company. Members of the Board of Directors may also add an item to the agenda, provided that they report it to the senior management. Matters that need to be discussed by the Board of Directors are communicated to the Board of Directors Secretariat and gathered 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 the emergence of extraordinary circumstances and in order to take decisions about important matters on the agenda. The Chairman, Vice Chairman, and each member is entitled to call the Board to meeting and/or add matters he/she wishes to be discussed at the related meeting by notifying all other board members at least one (1) day before the commencement of the meeting. Invitations to these meetings are communicated by mail or by telephone by the Board of Directors Secretariat. The Board of Directors Secretariat is run by a specialist personnel, who reports to the Chairman of the Board of Directors. All questions submitted and all matters discussed during the meetings are recorded in the minutes of the meetings. In principle, all members of the Board of Directors attend every meeting. However, for important matters pertaining to activities of the company, all members of the Board of Directors are expected to be present in person at the meetings. The following agenda items can only be approved by members of the Board of Directors who are present, in person, at Board of Directors meetings.

- Determination of the company's line of business
- Matters related to the convening of ordinary or extraordinary General Shareholders Meetings and the organization of these meetings
- Finalization of the annual report to be submitted to the General Shareholders Meeting
- Election of the chairman and vice chairman of the Board of Directors and appointment of new members
- Establishment or abrogation of administrative units
- Appointment or discharge of the Chief Executive Officer or General Manager
- Establishment of committees
- Determination of the dividend distribution policy of the company and amount of annual profit to be distributed to the shareholders
- Capital increases and decreases

All members of the Board of Directors, including the chairman, are entitled to a single vote and do not have any weighted voting rights.

23. Prohibition of Performing Transactions with the Company and Prohibition of Competing with the Company

No prohibition of performing transactions with the company or prohibition of competing with the company was implemented during the 2011 financial year. Thus, no conflict of interest has arisen.

24. Code of Ethics

IHEVA's Board of Directors are of the opinion that the healthy functioning of the capital markets is above all else based on trust and therefore the creation of a Code of Ethics is crucial. In addition, the rule of law must be made an essential part of this Code of Ethics and must be protected.

Moreover, members of the Board of Directors propose that the General Manager, Chief Financial Officer, and Accounting and Finance Department managers must act as follows:

1. Provide complete, fair, accurate, timely, and clear information in all reports and documents that are disclosed to the public and submitted to the regulators of capital markets with which the company is registered.
2. Act in compliance with all laws, regulations, and principles to which the company is subject to as a business entity and that concern its relations with the shareholders.
3. Ensure compliance with the essence as well as with the letter of this Code of Ethics and undertake effort to promote the development of a company culture which forms the basis of compliance with laws and company policies in all activities.

In addition:

Individuals who may be considered as persons who have access to insider information must maintain the confidentiality of information included in financial statements which have not been disclosed to the public, in accordance with the Code of Ethics.

Members of the Board of Directors may not disclose confidential information or information which can be considered trade secrets regarding the company to the public.

IHEVA employees:

• Are honest, reliable, ethical individuals who care about moral values and who do not compromise these values under any circumstances.
• Perform their responsibilities in a disciplined, attentive, dedicated, and objective manner while abiding by the confidentiality principles identified by the company.
• Fulfill their responsibilities to the best of their ability in order to help increase profitability and market share of the company.
• Always act, speak, and dress professionally and appropriately.
• Have a positive impact on their counterparts both inside and outside the company by acting in a courteous, professional, modest, active, and positive manner.
• Abide by all laws, professional principles, and relevant legislation.
• Approach different opinions, points of views, and suggestions with an open mind to find the middle ground and decide upon the most effective, sound, and applicable decisions for the company.
• Avoid engaging in any type of illegal activity.
• Refrain from engaging in any kind of behavior which runs counter to the principles of justice, sincerity, integrity, reliability, and social responsibility.
• Cooperate with other employees in achieving common goals by communicating with them in a courteous and considerate manner.
• Are obliged to decline offers which may result in improper personal gain and report any such offers to the concerned authorities and to their superiors.
• Are obliged to decline gifts from existing or potential customers and suppliers, except those recevied from conventions.

As a manufacturing company, it is the common goal of our management and of all of our employees to remain up-to-date with international quality standards, to produce green and energy efficient products, to design ergonomic products that make life easier for our customers, and to manufacture quality products rather than to try to concentrate solely on quality control issues.

Checking Compliance with the Code of Ethics

• Employees must take the necessary precautions to prevent any violation of the Code of Ethics.
• Employees must report any situation where they suspect that the Code of Ethics has been violated to their superiors or to the Internal Auditing Manager.
• The Internal Audit Department ensures that the activities of the company are aligned with the Code of Ethics as well as with the policies and procedures of the company in cooperation with the Legal Department (or the company's attorneys), Finance Department, the Human Resources Department, and any other relavent department.
• The Internal Auditing Manager reports directly to the Audit Committee and offers his or her independent opinion.

Penalties to be Imposed in Case of Violations of the Code of Ethics

Since investigating a violation of the Code of Ethics requires expertise, this responsibility is assigned to the Audit Committee.

• The Internal Auditing Manager submits regular reports of any violations and of any corrective or preventive actions taken to the Audit Committee.
• If the allegations regarding an employee constitutes a crime, the Audit Committee acts in cooperation with the Legal Department or with the company attorneys and conducts a joint investigation.

The email address etik@iea.com.tr, forwarded to the Audit Committee, was created to allow IHEVA's stakeholders — consisting of shareholders, customers, suppliers, and personnel — to report transactions not conforming to the legal or ethical values of the company. Applicant information is kept confidential. Applications are first evaluated by the Audit Committee, then the required sanctions are enforced and the result is communicated to the applicant.

Disciplinary Measures

• In case of any violation of the Code of Ethics, our company will make an effort to determine the most appropriate disciplinary measure for the violation, within the framework of the Personnel Regulations in force.
• First-time offenders, who have committed a minor violation, are usually sent a written warning.
• In case of severe violations, IHEVA may issue written reprimands or terminate the employment contract.
• Imposition of disciplinary measures are not restricted to the violations of the Code of Ethics. There are also measures which can be taken for other matters included in the Personnel Regulations.

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

• An Audit Committee and a Corporate Governance Committee have been established under the Board of Directors in accordance with CMB's Corporate Governance Principles. The committees consist of two members; one who is an independent member of the board and the other who is a non-executive member of the board.

• The Audit Committee met five times during the 2011 financial year and the recommendations that emerged from these meetings were adopted by the Board of Directors.

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 determined at the General Shareholders Meeting.

• IHEVA does not have a remuneration system that is based on performance or that reflects the company's performance.

• The company neither lends money to any member of the Board of Directors or to the managers nor does it provide them with any kind of credit.

• IHEVA neither extended any loans or credit to any member of the Board of Directors under the name of personal credit through a third party, nor has it acted as a guarantor for them.

PROPOSAL REGARDING 2011 PROFIT DISTRIBUTION

As a result of our Company's activities in 2011:

a. The financial statements, which have been prepared in compliance with Legal Records, show a period loss of 4,366,842.90 Turkish lira.

b. The consolidated financial reports, which have been prepared in compliance with the Communiqué on the Principles of Financial Reporting in Capital Markets (Serial: XI, No: 29), show a period loss of 26,171,540 Turkish lira.

As a result, it has been resolved that a proposal be made to the General Shareholders' Meeting that no dividend distribution be made due to the 2011 accounting results and that the incurred losses be offset against the profits that will be made in future fiscal years.

İhlas Ev Aletleri
Board of Directors

2011 FISCAL YEAR AUDITORS REPORT

TO THE GENERAL SHAREHOLDERS' MEETING OF IHLAS EV ALETLERI IMALAT SAN.TIC.A.Ş.

Title	:	Ihlas Ev Aletleri Imalat Sanayi ve Ticaret A.Ş.
Headquarters	:	Istanbul
Capital	:	Registered Capital : 250,000,000.00 TL Issued Capital : 191,370,001.38 TL
Area of Activity	:	Manufacturing of Electrical Home Appliances
Names, tenures, and partnership status of auditors	:	Turgut Sayar was elected to serve as auditor of accounts for a period of three years at the 2009 Ordinary General Shareholders' Meeting. Sayar is not a partner in the Company.
Number of Board of Auditors and Board of Directors meetings attended	:	Attended 11 Board of Directors meetings and examined the resolutions passed by the Board of Directors. Four Audit meetings were held.
Scope of the audits conducted on partnership accounts, books, and records; dates of these audits and results	:	Quarterly audits of legal books and documents revealed that the records complied with documents and accounting standards.
Number of counts performed at the partnership cashier's desk in accordance with Paragraphs 1-3 of Article 353 of the Turkish Commercial Code and the results	:	Four cash counts were performed and it was established that cash balance was compatible with the records.
Dates of audits performed in accordance with Paragraphs 1-4 of Article 353 of the Turkish Commercial Code and the results	:	Company records were inspected monthly; the availability of relevant assets was in compliance with the records.
Complaints and fraud allegations referred to the auditors and actions taken	:	No complaints or fraud notifications received.

I have inspected the account transactions of Ihlas Ev Aletleri A.Ş. for the period spanning from January 1, 2011 to December 31, 2011 in accordance with accepted accounting standards and principles of the Turkish Commercial Code, the Articles of Association, and applicable laws. In my opinion, the attached balance sheet, prepared on December 31, 2011 — the contents of which I have examined — reflects the financial standing of the company realistically and accurately for the stated period and the Income Statement for the period spanning from January 1, 2011 to December 31, 2011, which I have also examined, reflects the actual operating results for this same period. It is also of my opinion that the dividend distribution proposal is in compliance with applicable laws and with the Company's Articles of Association.
Therefore, I hereby submit the Income Statement to the Board of Directors to be voted on for approval.

Turgut Sayar
Auditor

İHLAS EV ALETLERİ İMALAT SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS REPORT FOR THE JANUARY 01, 2011 – DECEMBER 31, 2011 FISCAL YEAR

INDEPENDENT AUDITORS REPORT JANUARY 1, 2011 - DECEMBER 31, 2011 FISCAL YEAR

PÜR BAĞIMSIZ DENETİM
YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.
Bahariye Cad. Site 64 No.: 25/9 B Blok Kadıköy - İSTANBUL
Tel. : (0216) 449 37 00 (pbx) Fax : (0216) 449 37 71
e-mail : purymm@purymm.com www.purymm.com

INDEPENDENT AUDITORS REPORT OF IHLAS EV ALETLERI IMALAT SANAYI VE TICARET A.Ş. FOR THE JANUARY 1, 2011 – DECEMBER 31, 2011 FISCAL YEAR

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

We have audited the attached consolidated financial statements (balance sheet) of Ihlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. ("the Company" or "Holding") that have been prepared for the fiscal year that ended on December 31, 2011, the comprehensive income statement, the comprehensive statement of changes in shareholders' equity, the consolidated cash flow statement, a summary of significant accounting policies, and the footnotes to these statements.

Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of financial statements in accordance with the financial reporting standards published by the Capital Markets Board. This responsibility includes the design, implementation, and continuation of the necessary internal control system and also requires making the necessary accounting estimates as required by conditions and selecting the appropriate accounting policies in order to ensure that financial statements reflect the truth in an honest way and that they are prepared in a manner that does not contain any significant errors derived from mistakes and/or fraud or misconduct.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on the independent audit we have conducted. We have conducted our independent audit in accordance with the independent auditing standards published by the Capital Markets Board. These standards require compliance with ethical principles as well as the assurance that the independent audit was planned and executed in a way that ensures a reasonable amount of certainty on whether or not the financial statements reflect the truth in an accurate and honest way.

Our independent audit involves the use of independent audit techniques in order to provide an independent audit of the consolidated financial tables and footnotes. The independent auditing techniques we have used were selected based on our professional opinion and include a risk evaluation of the financial statements to identify whether any material errors exist and whether these errors are due to inaccuracies, fraud, or irregularities. In making these risk assessments, we have taken into account the internal control system used by the Company. However, our aim is not to state an opinion on the effectiveness of the internal control system, but rather to reveal the relationship between the financial statements prepared by the management of the Company and the internal control system in order to design the independent auditing techniques in accordance with the established conditions. Our independent audit also incorporates the appraisal of the compatibility between accounting policies accepted by the Company's management and accounting projections and the presentation of consolidated financial tables as a whole.

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

INDEPENDENT AUDITORS REPORT ON THE STATUS OF THE INTERNAL CONTROL SYSTEM, 2011

PÜR BAĞIMSIZ DENETİM
YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.
Bahariye Cad. Site 64 No.: 25/9 B Blok Kadıköy - İSTANBUL
Tel. : (0216) 449 37 00 (pbx) Fax : (0216) 449 37 71
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OPINION

In our opinion, the consolidated financial statements give a true and fair view — one that is in accordance with financial reporting standards issued by CMB — of the financial position of Ihlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. as of December 31, 2011, as well as of its financial performance and its cash flows for the recently-ended fiscal year.

Although not affecting our opinion, we would also like to draw attention to the following:

The fully consolidated financial statements of Ihlas Madencilik A.Ş., an Ihlas Holding company, for the fiscal year which ended on December 31, 2011 — included in the attached consolidated financial statements — were audited by another independent audit firm.

March 20, 2012, Istanbul

Responsible Partner and Lead Auditor

ŞÜKRÜ YAVUZ

Pür Bağımsız Denetim Yeminli Mali Müşavirlik A.Ş.

İHLAS EV ALETLERİ İMALAT SANAYI VE TICARET ANONIM ŞIRKETI

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2011, AND DECEMBER 31, 2010

(UNLESS OTHERWISE STATED, THE AMOUNTS ARE IN TURKISH LIRA (TRY))

ASSETS	Footnote References	Audited 31.12.2011	Independently Audited 31.12.2010
Current Assets		164.268.072	171.350.532
Cash and Cash Equivalent	6	470.744	40.183.783
Financial Instruments	7	43.631.358	25.843.181
Trade Receivables	10	63.808.556	56.078.594
- Trade Receivables from Related Parties	10	2.947.757	30.101.967
- Other Trade Receivables	10	60.860.799	25.976.627
Receivables from Financing Activities	12	0	0
Other Receivables	11	899.109	1.055.780
Inventories	13	40.909.003	25.509.751
Biological Assets	14	0	0
Other Current Assets	26	14.549.302	22.679.443
(Subtotal)		164.268.072	171.350.532
Non-Current Assets Held for Sale	34	0	0
Fixed Assets		121.534.743	118.038.080
Trade Receivables	10	0	0
Receivables from Financing Activities	12	0	0
Other Receivables	11	231.262	480.039
Financial Instruments	7	1.364.959	3.526.551
Investments Valued by Equity Method	16	0	0
Biological Assets	14	0	0
Investment Properties	17	59.108.783	38.983.017
Tangible Fixed Assets	18	4.357.900	4.966.175
Intangible Fixed Assets	19	5.312.081	893.195
Goodwill	20	39.923.002	41.730.348
Deferred Tax Assets	35	11.180.443	6.420.462
Other Fixed Assets	26	56.313	21.038.293
TOTAL ASSETS		285.802.815	289.388.612

CONSOLIDATED FINANCIAL STATEMENTS AND FOOTNOTES

İHLAS EV ALETLERİ İMALAT SANAYI VE TICARET ANONIM ŞIRKETI

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2011, AND DECEMBER 31, 2010

(UNLESS OTHERWISE STATED, THE AMOUNTS ARE IN TURKISH LIRA (TRY))

LIABILITIES	Footnote References	Audited 31.12.2011	Independently Audited 31.12.2010
Short-term Liabilities		75.161.693	51.436.254
Financial Liabilities	8	61.377	11.557.238
Other Financial Liabilities	9	28.899.098	7.437.400
Trade Payables	10	41.996.402	22.203.131
- Trade Payables to Related Parties	10	591.036	1.044.359
- Other Trade Payables	10	41.405.366	21.158.772
Other Payables	11	0	0
Receivables from Financing Activities	12	0	0
Government Grants and Incentives	21	0	0
Current Income Tax Liabilities	35	0	0
Provisions for Debts	22-23	0	0
Other Short-term Liabilities	26	4.204.816	10.238.485
(Subtotal)		75.161.693	51.436.254
Liabilities Associated with Non-Current Assets Held for Sale	34	0	0
Long-term Liabilities		7.186.012	6.464.729
Financial Liabilities	8	0	0
Other Financial Liabilities	9	0	0
Trade Payables	10	0	0
Other Payables	11	0	0
Receivables from Financing Activities	12	0	0
Government Grants and Incentives	21	0	0
Provisions for Debts	22-23	1.065.584	2.137.629
Provisions for Employee Benefits	24	1.897.987	1.092.263
Deferred Tax Liabilities	35	1.876.035	3.234.837
Other Long-term Liabilities	26	2.346.406	0
SHAREHOLDERS' EQUITY		203.455.110	231.487.629
Parent Company's Shareholders' Equity		181.978.538	204.913.013
Issued Capital	27	191.370.001	191.370.001
Capital Adjustment for Mutual Ownership (-)	27	0	0
Share Premiums	27	6.534.581	6.534.581
Other Capital Reserves	3-27	4.890.469	0
Value Increase Funds	27	0	1.984.217
Foreign Currency Translation Adjustments	27	0	0
Restricted Reserves Allocated from Profits	27	1.887.847	1.680.909
Profit/Loss for Previous Years	27	3.467.180	(5.874.327)
Net Profit/Loss for the Period	36	(26.171.540)	9.217.632
Minority Shares	27	21.476.572	26.574.616
TOTAL LIABILITIES		285.802.815	289.388.612

CONSOLIDATED FINANCIAL STATEMENTS AND FOOTNOTES

İHLAS EV ALETLERI İMALAT SANAYI VE TICARET ANONIM ŞIRKETI

CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS FOR THE FISCAL YEARS JANUARY 1, 2011 - DECEMBER 31, 2011 AND JANUARY 1, 2010 - DECEMBER 31, 2010

(UNLESS OTHERWISE STATED, THE AMOUNTS ARE IN TURKISH LIRA (TRY))

CONTINUING OPERATIONS	Footnote References	Audited 01.01.2011 31.12.2011	Independently Audited 01.01.2010 31.12.2010
Sales Revenues	28	99.508.540	101.924.593
Cost of Sales (-)	28	(93.472.078)	(94.162.232)
Gross Profit/Loss from Trade Operations		6.036.462	7.762.361
Interest, Fees, Premiums, Commissions, and Other Income	28	0	0
Interest, Fees, Premiums, Commissions, and Other Expenses (-)	28	0	0
Gross Profit/Loss from Financing Activities		0	0
GROSS PROFIT/LOSS		6.036.462	7.762.361
Marketing, Sales, and Distribution Expenses (-)	29	(2.385.887)	(2.782.182)
General Administrative Expenses (-)	29	(9.655.228)	(7.050.551)
Research & Development Expenses (-)	29	(1.032.997)	(843.220)
Other Operating Income	31	12.983.376	18.814.050
Other Operating Expenses (-)	31	(33.693.696)	(12.930.505)
OPERATING PROFIT/LOSS		(27.747.970)	2.969.953
Share in Profit/Loss of Investments Valued by Equity Method		0	0
Financial Income	32	11.338.316	8.861.441
Financial Expenses (-)	33	(15.633.495)	(6.468.081)
PROFIT/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES		(32.043.149)	5.363.313
Tax Income/Expense from Continuing Operations		6.118.783	(48.025)
Current Income Tax Liabilities	35	0	(1.245.392)
Deferred Tax Income/Expense	35	6.118.783	1.197.367
CONTINUING OPERATIONS		(25.924.366)	5.315.288
DISCONTINUED OPERATIONS		0	0
PROFIT/LOSS AFTER TAXES FOR THE FISCAL YEAR FROM DISCONTINUED OPERATIONS		0	0
PROFIT/LOSS FOR THE PERIOD		(25.924.366)	5.315.288
Distribution of Profit/Loss for the Period		(25.924.366)	5.315.288
Minority Shares	36	247.174	(3.902.344)
Parent Shares	36	(26.171.540)	9.217.632
Earnings per Share (in Kr)	36	(0,137)	0,048
Diluted Earnings per Share (in Kr)	36	(0,137)	0,048
Earnings per Share from Continuing Operations (in Kr)	36	(0,137)	0,048
Diluted Earnings per Share from Continuing Operations (in Kr)	36	(0,137)	0,048

CONSOLIDATED FINANCIAL STATEMENTS AND FOOTNOTES

İHLAS EV ALETLERI İMALAT SANAYI VE TICARET ANONIM ŞIRKETI

CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS FOR THE FISCAL YEARS JANUARY 1, 2011 - DECEMBER 31, 2011 AND JANUARY 1, 2010 - DECEMBER 31, 2010

(UNLESS OTHERWISE STATED, THE AMOUNTS ARE IN TURKISH LIRA (TRY))

OTHER COMPREHENSIVE INCOME STATEMENT	Footnote References	Audited 01.01.2011 31.12.2011	Independently Audited 01.01.2010 31.12.2010
PROFIT/LOSS FOR THE PERIOD	36	(25.924.366)	5.315.288
OTHER COMPREHENSIVE INCOME		(1.984.217)	1.984.217
Change in Financial Assets Value Increase Fund	27	(1.984.217)	1.984.217
Change in Fixed Assets Value Increase Fund		0	0
Change in Hedge Funds		0	0
Change in Foreign Currency Translation Differences		0	0
Actuarial Profit and Loss from Post-Employment Benefit Plans		0	0
Shares in Other Comprehensive Incomes from Partnerships Valued by Equity Method		0	0
Tax Income/Expense for Other Comprehensive Income Items		0	0
OTHER COMPREHENSIVE INCOME (AFTER TAXES)		(27.908.583)	7.299.505
TOTAL COMPREHENSIVE INCOME		(27.908.583)	7.299.505
Distribution of Total Comprehensive Income			
Minority Shares		247.174	(3.902.344)
Parent Shares		(28.155.757)	11.201.849

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, 2011 - DECEMBER 31, 2011 AND JANUARY 1, 2010 - DECEMBER 31, 2010
(UNLESS OTHERWISE STATED, THE AMOUNTS ARE IN TURKISH LIRA (TRY))

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, 2011 - DECEMBER 31, 2011 AND JANUARY 1, 2010 - DECEMBER 31, 2010
(UNLESS OTHERWISE STATED, THE AMOUNTS ARE IN TURKISH LIRA (TRY))

	Footnote References	Issued Capital	Other Capital Reserves	Share Premiums	Revaluation of Financial Fixed Assets	Statutory Reserves from Profit	Net Profit/ Loss for the Period	Profit/Loss from the Previous Year	Minority Shares	Total
January 1, 2011		191.370.001	0	6.534.581	1.984.217	1.680.909	9.217.632	(5.874.327)	26.574.616	231.487.629
Change in Revaluation of Financial Fixed Assets	27	0	0	0	(1.984.217)	0	0	0	0	(1.984.217)
Additional Contribution to Shareholders' Equity related to Merger	3-27	0	4.890.469	0	0	0	0	0	2.966.089	7.856.558
Change in Reserves from Profit	27	0	0	0	0	206.938	0	(206.938)	0	0
Effective Share Adjustments	27	0	0	0	0	0	0	330.813	(8.311.307)	(7.980.494)
Transfers	27	0	0	0	0	0	(9.217.632)	9.217.632	0	0
Net Profit/Loss for the Period	36	0	0	0	0	0	(26.171.540)	0	247.174	(25.924.366)
December 31, 2011		191.370.001	4.890.469	6.534.581	0	1.887.847	(26.171.540)	(3.467.180)	21.476.572	203.455.110

	Footnote References	Issued Capital	Share Premiums	Revaluation of Financial Fixed Assets	Statutory Reserves from Profit	Net Profit/ Loss for the Period	Profit/Loss from the Previous Year	Minority Shares	Total
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
Change in Restrictive Reserves form Profit	27	0	0	0	227.163	0	(227.163)	0	0
Change 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

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, 2011 - DECEMBER 31, 2011 AND JANUARY 1, 2010 - DECEMBER 31, 2010
(UNLESS OTHERWISE STATED, THE AMOUNTS ARE IN TURKISH LIRA (TRY))

	Footnote References	Audited 31.12.2011	Independently Audited 31.12.2010
Cash flow from Business Activities			
Net Profit/Loss for the Period	36	(26.171.540)	9.217.632
Reconciliation of Cash from Business Activities and Net Profit			
Depreciation	17,18	2.390.200	2.593.557
Amortization and Depletion Shares	19	231.837	327.219
Severance Provisions		805.724	47.699
Net Warranty Provisions	22-23	(1.070.367)	526.387
Taxes	35	(6.118.783)	48.025
Non-Parent Profit/Loss	36	247.174	(3.902.344)
Tax expenses within the scope of Law No. 6111	31	963.143	0
Financial Income	32	(2.132.137)	(5.634.409)
Financial Expenses (-)	33	3.576.019	4.987.627
Goodwill Impairment Provisions	31	1.807.346	2.020.767
Subsidiary Impairment Provisions	31	177.375	111.774
Revaluation Surplus of Investment Properties	31	0	(1.497.582)
Net Long-term Securities Sales Profit/Loss	31	(777.019)	(143.942)
Terminated Action Provisions	31	(1.678)	(4.600)
Other Terminated Provisions	31	(151.753)	(1.510.704)
Revaluation Surplus of Financial Assets	27	(1.984.217)	1.984.217
Other Net Expense/Income Requiring No Cash Outflow/Inflow		(64.343)	28.403
Net Operating Profit Before Receivable and Payable Adjustments		(28.273.019)	9.199.726
Receivables and Payables Adjustments			
Financing Investments Adjustments	7	(15.626.585)	20.256.387
Related Party Receivables Adjustments	10	27.154.210	(1.065.986)
Trade Receivables Adjustments	10	(34.884.172)	(13.843.102)
Other Receivables Adjustments	11	405.448	2.568.854
Inventory Adjustments	13	(15.399.252)	2.612.635
Other Current Asset Adjustments	26	8.130.141	(1.905.561)
Other Fixed Assets Adjustments	26	20.981.980	449.004
Related Party Payables Adjustments	10	(453.323)	784.999
Other Trade Payables Adjustments	10	20.246.594	(1.789.907)
Other Short- and Long-Term Payables Adjustments	26	(3.687.263)	(14.384.056)
Taxes Paid	35	0	(1.245.392)
Termination Benefits Paid	24	(172.728)	(149.886)
Net Cash from Business Activities (A)		(21.577.969)	1.487.715

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, 2011 - DECEMBER 31, 2011 AND JANUARY 1, 2010 - DECEMBER 31, 2010
(UNLESS OTHERWISE STATED, THE AMOUNTS ARE IN TURKISH LIRA (TRY))

	Footnote References	Audited 31.12.2011	Independently Audited 31.12.2010
Investment Activities			
Tangible Asset Purchases	17-18	(21.950.562)	(2.644.396)
Intangible Asset Purchases	19	(4.751.479)	(920.998)
Cash from Sold Tangible Assets		45.016	985.323
Net Cash from Investments (B)		(26.657.025)	(2.580.071)
Financing Activities:			
Received and Paid Net Interest	32,33	(1.443.882)	646.782
Financial Liabilities Adjustments	8	(11.495.861)	157.579
Other Financial Liability Adjustments	9	21.461.698	6.087.400
Net Cash for Financial Activities (C)		8.521.955	6.891.761
Net Increase in Cash and Cash Equivalent Assets (D = A+B+C)		(39.713.039)	5.799.405
Opening Balance for Cash and Cash Equivalent Assets (E)	6	40.183.783	34.384.378
Closing Balance for Cash and Cash Equivalent Assets (F = D+E)	6	470.744	40.183.783

(UNLESS OTHERWISE STATED, THE AMOUNTS ARE IN TURKISH LIRA (TRY))

Note 1 – The Organization and Principal Activities 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 under the Marmara Corporate Tax Authority. The Company manufactures electric home appliances in two plants located at Istanbul Beylikdüzü, Mermerciler Sanayi Sitesi 7. Cd. No:12, and 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 production facilities cover a 21,075-square meter enclosed area and 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.

The Company is registered with the Istanbul Chamber of Commerce and the Istanbul Chamber of Industry under Registry Nos. 135455 and 17984, respectively. The Capacity Report (No. 2010-1447) the Company obtained from the Istanbul Chamber of Industry on July 3, 2010 is valid until June 8, 2013.

The Holding's average number of employees during the fiscal year is shown in the table below.

	31.12.2011		31.12.2010	
Number of Employees	White-collar	Blue-collar	White-collar	Blue-collar
Parent Company	85	200	92	212
Subsidiaries	13	45	14	26
TOTAL	98	245	106	238

Şirket'in ortaklık yapısı şöyledir;

	31.12.2011		31.12.2010	
Title	Share (%)	Share Amount	Share (%)	Share Amount
Ihlas Pazarlama Yatırım Holding A.Ş. (1)	17,60	33.681.000	17,60	33.681.000
Ihlas Holding A.Ş. (1)(2)(3)	7,32	14.000.000	4,18	8.000.000
Free Float(2)	74,83	143.205.723	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) Sermayeye dolaylı yoldan sahip olan gerçek ve tüzel kişiler;

	31.12.2011		31.12.2010	
Name/Company Title	Share (%)	Share Amount	Share (%)	Share Amount
Enver Ören	2,69	5.145.605	2,34	4.481.646
Free Float	19,95	38.171.510	17,64	33.765.679
Other	2,28	4.363.885	1,80	3.433.675
TOTAL	24,92	47.681.000	21,78	41.681.000

(2) Şirket'in Ana Ortağı İhlas Holding A.Ş., 2011 yılı içinde kontrol gücünü artırmaya yönelik olarak IMKB'den 6.000.000 lot Şirket hissesi satın almış ve payını %7,32'ye çıkarmıştır.

(2) Ihlas Holding A.Ş., the parent company of IHEVA, purchased 6,000,000 company shares from the ISE in 2011, increasing its shares to 7.32 percent, in order to gain more control over the business.

(3) Ihlas Holding A.Ş., the parent company of IHEVA, issued 8,000,000 (4.18 percent) company shares to Lehman Brothers as a deposit according to an options contract which ended 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 between Ihlas Holding A.Ş. and 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 8,000,000 company shares (IHEVA) that had been 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 company website indicates that commercial relations had not been reconciled and that ownership of any rights and obligations were indeterminable. Therefore, Ihlas Holding A.Ş., the parent company of IHEVA, filed for an interim court injunction for 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 — on March 13, 2009, within the allowed timeframe — 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 the desired option were unavailable. PWC Zurich, which was assigned as liquidators for Lehman Brothers Finance S.A., was notified in writing. The counterparty submitted a plea. The court has given time to Ihlas Holding A.Ş. to prepare an answer to this plea and decided in favor of the continuation of the interim injunction. The proceedings were adjourned until May 15, 2012.

The Company's shareholders elect two, three, or four members to 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 additional 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:

Name/Title of Partner	Tertip	Grup	H/N	Adet	Tutar	Sağladığı Haklar
Ihlas Pazarlama Yatırım Holding A.Ş.	I	A	Bearer	4.049.920	40.499	Elect the majority of the members of the Board of Directors and of the Board of Auditors
Ahmet Mücahid Ören	I	A	Bearer	647.040	6.470	Elect the majority of the members of the Board of Directors and of the Board of Auditors
Ali Tubay Gölbaşı	I	A	Bearer	156.180	1.562	Elect the majority of the members of the Board of Directors and of the Board of Auditors

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

1-Ihlas Madencilik A.Ş. (Ihlas Madencilik) The company, which engages in mining operations, merged with Bayındır Madencilik A.Ş. in the current fiscal period.

2-Mir İç 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, and leasing out a power-generation plant; in generating electric power; and in selling this electric power or capacity to customers.

(UNLESS OTHERWISE STATED, THE AMOUNTS ARE IN TURKISH LIRA (TRY))

Note 2 - Principles Regarding the Presentation of Financial Statements

Fundamental Presentation Principles

Compliance Statement

The Company keeps accounting records and prepares legal financial statements according to the Uniform Charts of Accounts, the Turkish Commercial Code, Turkish Tax Legislation, and the generally-accepted accounting policies published by the Capital Markets Board for companies listed on the Istanbul Stock Exchange (ISE). The Capital Markets Board has outlined the principles and methods used for preparing financial reports to be presented to relevant parties at the Board's "Communiqué on the Principles of Financial Reporting in Capital Markets" (Serial XI, No: 29) issued by the CMB. This communiqué became effective as of the first interim financial statements after January 1, 2008, at which time the "Communiqué on Accounting Standards in Capital Markets" (Serial XI, No: 25) that had been issued by the CMB was repealed. As per Communiqué with Serial XI, No: 29, companies are to comply with International Accounting Standards/ International Financial Reporting Standards (IAS/IFRS), which are accepted by the European Union, and to state the compliance of their financial statements with IAS/IFRS, which are accepted by the European Union, in the financial statement footnotes. Moreover, the financial reports and accounting records are also projected by using the Turkish Accounting Standards (TAS) and Turkish Financial Reporting Standards (TFRS) published by the Turkish Accounting Standards Board (TASB), whose standards are aligned with those already adopted. However, the IAS and IFRS shall apply 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 Company's attached consolidated financial statements have been prepared in accordance with the Communiqué Serial XI, No: 29 issued by the CMB, and these financial statements and footnotes are, therefore, presented according to the format requirements of the Capital Markets Board, as decided on April 14, 2008. Moreover, any corrections or reclassifications to the statutory accounting records needed 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 control or joint control over the reporting entity or has significant influence over the reporting entity or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. Furthermore, related parties include investors and company management. A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

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, whether directly or indirectly, including any directors (executive or otherwise) of the entity (Note 37). Due to ordinary activities, related party transactions have generally been performed at prices compatible with market conditions.

Consolidation Basis

The consolidated financial statements include the accounts of Ihlas Ev Aletleri Imalat San. ve Tic. A.Ş., the parent company, and its subsidiaries Ihlas Madencilik A.Ş., Detes Enerji Üretim A.Ş., and Mir Iç ve Dış Tic. A.Ş. (the "Group"). Corrections and classifications have been made in 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 the control over operations was transferred to the Company.

The financial statements of the subsidiaries 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.

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

Company Title	Share (%)
Ihlas Madencilik	% 62,25
Detes Enerji	% 99,84
Mir Maden	% 61,62

As per IAS 39, subsidiaries, associations, and long-term securities 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, and for which the Group has no significant effect have been classified as Available-for-sale financial assets (AFS) and have been recognized as such. Shares and titles of related companies are as follows:

Subsidiaries Not Included in the Consolidation (Effective rate)

Company Title	Share (%)
Ihlas Mining Ltd. Şti. (Ihlas Mining)	% 56,02
Detes Maden Enerji ve Çevre Tek. Sis. Ltd. Şti. (Detes Ltd.)	% 20,00
Ihlas 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 in comparison to the previous year's in an effort to identify financial conditions and performance trends. As the presentation or classification of items in the financial statement changes, those statements from the previous year are also changed and re-segmented accordingly, so that the two statements can be compared.

If the Group implements an accounting policy retrospectively, corrects the financial statement items of a company retrospectively, or reclassifies the financial statement items, then at least three annual financial statements (balance sheets) are presented, with two annual financial statements and their footnotes for each of the other statements (comprehensive income statement, cash flow statement, statement of change in equity).

The Holding presents its financial statements accordingly:

- As of the end of the current fiscal year;
- As of the end of the previous fiscal year; and
- At the beginning of the first comparative annual fiscal year.

Statement about Inflation Accounting and Reporting Currency

On March 17, 2005, the Capital Markets Board decided that inflation adjustments would not be required for companies operating in Turkey when preparing their financial statements, as stated in the CMB Financial Reporting Standards as of January 1, 2005. Accordingly, IAS 29, "Financial Reporting in Hyperinflationary Economies" standard, published by IASB on January 1, 2005, was not applied to the consolidated financial statements, which were dated December 31, 2011. In order to provide comparability between the financial statements dated December 31, 2009 and the previous year's financial statements, and in order to include all financial data, the present Turkish lira has been used to prepare the financial statements.

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The Company records foreign currency transactions in functional currency over the amount obtained by applying the spot exchange rate between the foreign currency and the functional currency, pursuant to IAS 21, or the "Effects of Changes in Foreign Exchange Rates" standard.

Closing exchange rates of foreign currencies published by the Central Bank of Turkey (CBRT) on the dates of December 31, 2011, and December 31, 2010, are listed below.

	Foreign Exchange Rates (TL/Exchange Currency)	
Currency	31.12.2011	31.12.2010
USD	1,8889	1,5460
EUR	2,4438	2,0491
GBP	2,9170	2,3886
CHF	2,0062	1,6438

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 it is legal to do so 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 or doubtful payables provisions.

B. Changes in Accounting Policies

Companies must have the ability to compare financial statements over time in order for the users of financial statements 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 which may have taken place before
- Implementation of a new accounting policy for events or transactions that have not arisen or have not had any previous significance

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

Implementation of International Financial Reporting Standards which are new and revised:

New standards, amendments, and interpretations effective between January 1, 2011 and December 31, 2011:

IAS 24 (Revision) "Related Party Disclosures" (The revision is effective for fiscal years beginning on or after January 1, 2011). The amendment is not expected to have any impact on the Holding's financial situation or performance. This amendment was published in the Official Gazette of the European Union on July 20, 2010.

IAS 32 (Revision) "Classification of Rights Issues" (The revision is effective for fiscal years beginning on or after February 1, 2010, with earlier application permitted). The amendment made to IAS 32 concerns the recognition of shares that are in currencies other than the functional currency of the issuer. This amendment does not affect the Holding's financial performance. This amendment was published in the Official Gazette of the European Union on December 20, 2009.

IFRIC 14 (Amendment), "Prepayment of a Minimum Funding Requirement" (The amendment is effective for fiscal years beginning on or after January 1, 2011, with earlier application permitted). This amendment corrects the problem of not allowing the recognition of certain prepayments as assets whose payments have been made by businesses for minimum funding requirements. This amendment does not affect the Holding's financial performance. This amendment was published in the Official Gazette of the European Union on July 20, 2010.

IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments" (The amendment is effective for fiscal years beginning on or after July 1, 2010, with earlier application permitted): IFRIC 19 addresses only the accounting by the entity that issues equity instruments in order to settle, in full or in part, a financial liability. This interpretation does not affect the Holding's financial performance. This amendment was published in the Official Gazette of the European Union on July 20, 2010.

IFRS 7, "Financial Instruments: Disclosures" – Disclosures as part of its comprehensive review of off balance sheet activities (Amendment): The amendment is effective for fiscal years beginning on or after July 1, 2010. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets, including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a fiscal year. The said standard is not expected to have any impact on the Holding's financial situation or performance. This amendment was published in the Official Gazette of the European Union on November 23, 2011.

IFRS 1, "First-time Adoption of International Financial Standards" (Amendment): The amendment is effective for fiscal years beginning on or after July 1, 2010. This amendment to IFRS 1 allows first-time adopters of IFRSs to restructure their transactions before they transition to IFRS and to provide the entities that prepare and present financial statements, in accordance with IFRSs, with information after being subject to severe hyperinflation. This standard has not been approved by the European Union yet. The possible impact of the standard on the Holding's financial situation and performance is being evaluated.

New standards, amendments and interpretations effective between January 1, 2010 and December 31, 2010:

New standards and amendments that do not have any effect on the Company's financial situation or its performance are as follows:

IFRS 1 (Amendment), "First-time Adoption of International Financial Standards" - Additional Exemptions for First-time Adopters issued: This amendment does not affect the Holding's financial performance.

IFRS 2 (Amendment), "Share-based Payment" – Share-based payment paid out in cash: This amendment does not affect the Holding's financial performance.

IFRS 3 (Amendment), "Business Combinations" and IAS 27 (Amendment), "Consolidated and Separate Financial Statements."

IAS 39 (Amendment), "Financial Instruments: Recognition and Measurement - Eligible hedged items: This amendment does not affect the Holding's financial performance.

IFRIC 17, "Distributions of Non-cash Assets to Owners": This amendment does not affect the Holding's financial performance.

Annual Improvements to IFRSs (published in 2008): These improvements do not affect the Holding's financial performance.

IFRS 1 (Amendment) - Limited exemption from comparative IFRS 7 disclosures (The amendment is effective for fiscal years beginning on or after July 1, 2010, with earlier application permitted): This amendment does not affect the Holding's financial performance.

Annual improvements to IFRSs (published in 2009): These improvements do not affect the Holding's financial performance.

Annual improvements to IFRSs (published in May 2009):

In May 2010, IASB published a third framework in order to resolve inconsistencies and clarify definitions. IASB determined various dates for the amendments to go into effect, with the earliest effective date being the fiscal years beginning on or after July 1, 2010, with earlier application permitted. This improvement project was approved by the European Union on February 19, 2011.

The standards that have been amended are as follows:

IFRS 1: Amendments to first-time adoption of the International Financial Reporting Standard

IFRS 1: Basis of revaluation as an estimated cost

IFRS 1: Use of deemed cost for operations subject to rate regulation

IFRS 3: Transitional requirements for contingent consideration from a business combination that occurred before the effective date of IFRS 3

IFRS 3: Measurement of non-controlling interests

IFRS 3: Un-replaced and voluntarily replaced share-based payment awards

IFRS 7: Clarification of footnotes

IAS 1: Clarification of statement of changes in equity

IAS 27: Transitional requirements for consequential amendments as a result IAS 27, "Consolidated and Separate Financial Statement"

IAS 34: Significant events and transactions

IFRIC 13: Fair value of award credit

The Company is of the opinion that implementation of the Standards and Interpretations given above will not have a significant impact on the Company's financial statements in future periods.

Standards, amendments, and interpretations issued but with earlier application not permitted:

IFRS 9, "Financial Instruments" - Phase 1 Financial Assets, Classification and Measurement: The new standard is effective for fiscal years beginning on or after January 1, 2015. The Phase 1 of IFRS 9 introduces new provisions concerning the measurement and classification of financial assets and liabilities. Earlier application is not permitted. This standard has not been approved by the European Union yet. The possible impact of the standard on the Holding's financial situation and performance is being evaluated.

IFRS 10, "Consolidated Financial Statements": The new standard will be effective for fiscal years beginning on or after January 1, 2013. IFRS 10 has replaced the portion of the IAS 27, "Consolidated and Separate Financial Statements," concerning consolidations. IFRS 10 also encompasses the interpretation in IFRIC 12 concerning "Consolidation - Special-purpose Entities." IFRS 10 has established the single control model to be applied to all business entities, including special-purpose and structural entities. This amendment has not been approved by the European Union yet. The possible impact of the standard on the Holding's financial situation and performance is being evaluated.

IFRS 11, "Joint Arrangements": The new standard will be effective for fiscal years beginning on or after January 1, 2013. IFRS 11 has replaced the IAS 31 "Interests in Joint Ventures" standard and SIC Interpretation 13 "Jointly Controlled Entities – Non-Monetary Contributions by Ventures." There are two types of joint arrangements according to IFRS 11: joint operation and joint venture. In order to define what a joint control is, IFRS 11 refers to the definition of control made in IFRS 10. This amendment has not been approved by the European Union yet. The possible impact of the standard on the Holding's financial situation and performance is being evaluated.

IFRS 12, "Disclosure of Interests in Other Entities": The new standard will be effective for fiscal years beginning on or after January 1, 2013. IFRS 12 encompasses all explanations concerning consolidated financial statements contained in the IAS 27 "Consolidated and Separate Financial Statements" standard and other explanations contained in IAS 31, "Interests In Joint Ventures" and in IAS 28, "Investments in Associates." This amendment has not been approved by the European Union yet. The possible impact of the standard on the Holding's financial situation and performance is being evaluated.

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IFRS 13, "Fair Value Measurement": The new standard will be effective for fiscal years beginning on or after January 1, 2013. By publishing IFRS 13, IASB has established a unique guideline for all fair value measurements. Although it does not make any amendment concerning when a business entity is to use a fair value, IFRS 13 allows them to measure their liabilities based on financial and non-financial assets based on their fair values. This amendment has not been approved by the European Union yet. The said standard is not expected to have any impact on the Holding's financial situation or performance.

IAS 27, "Separate Financial Statements" (Amendment): The amendment is effective for fiscal years beginning on or after January 1, 2013. This amendment is a part of IAS 27 (2008) and the consolidation requirements previously forming part of IAS 27 (2008) have been revised and are now contained in IFRS 10. This standard encompasses recognition and statement provisions to be complied with when separate financial statements are prepared for investments in subsidiaries, joint ventures, and associates. This standard has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects (or is required by local regulations) to present separate (non-consolidated) financial statements. This amendment has not been approved by the European Union yet. The said standard is not expected to have any impact on the Holding's financial situation or performance.

IAS 28, "Investments in Associates and Joint Ventures" (Amendment): The amendment is effective for fiscal years beginning on or after January 1, 2013. This standard is part of IAS 28 (2003) and has been re-amended with the publication of IFRS 10, IFRS 11, and IFRS 12. This standard has been established to define the recognition of investments in subsidiaries and to set forth the provisions for the use of the equity method of accounting for the recognition of investments in subsidiaries. This amendment has not been approved by the European Union yet. The said standard is not expected to have any impact on the Holding's financial situation or performance.

IAS 12, "Income Taxes - Deferred Tax": Recovery of Underlying Assets (Amendment): The amendment is effective for fiscal years beginning on or after January 1, 2012. IAS 12 has been amended as it relates to (i) the recognition of deferred taxes for investment property measured at fair value within the scope of IAS 40 that will be recovered through the sale of the carrying amount of the investment property and (ii) the calculation of the deferred taxes for non-depreciable asset measured using the revaluation model in IAS 16, always according to the principle of sale. This amendment has not been approved by the European Union yet. The said standard is not expected to have any impact on the Holding's financial situation or performance.

IAS 1, "Presentation of Financial Statements - Explanatory notes on the presentation of other comprehensive financial statements" (Amendment): The amendment is effective for fiscal years beginning on or after July 1, 2010. Items that are presented in other comprehensive financial statements with amendments made to them are divided into two categories depending on whether they can be reclassified from equity to profit or loss. Taxes associated with items presented before tax are to be shown separately for each of the two groups of other comprehensive income items. This amendment has not been approved by the European Union yet. The said standard is not expected to have any impact on the Holding's financial situation or performance.

IAS 19, "Employee Benefits" (Amendment): The amendment is effective for fiscal years beginning on or after July 1, 2013. The 'corridor' method has been eliminated with the amendments made. The provision that all changes in the cost of providing defined benefits be recognized immediately eliminates options concerning the presentation of profit or loss. Service cost and finance costs will be recognized in profit or loss and re-measurement will be recognized in other comprehensive income. This amendment has not been approved by the European Union yet. The said standard is not expected to have any impact on the Holding's financial situation or performance.

IFRS 7, "Offsetting Financial Assets and Financial Liabilities-Disclosures" (Amendment): The amendment is effective for fiscal years beginning on or after January 1, 2015. This amendment has not been approved by the European Union yet. The said standard is not expected to have any impact on the Holding's financial situation or performance.

IAS 32, "Offsetting Financial Assets and Financial Liabilities" (Amendment): The amendment is effective for fiscal years beginning on or after January 1, 2014. This amendment has not been approved by the European Union yet. The said standard is not expected to have any impact on the Holding's financial situation or performance.

IFRIC 20, "Stripping Costs in the Production Phase of a Surface Mine": This interpretation is effective for fiscal years beginning on or after January 1, 2013. IFRIC 20 clarifies the requirements for accounting the stripping costs in the production phase of a surface mine, for instance when such costs can be recognized as an asset and how that asset should be measured. This amendment has not been approved by the European Union yet. The said standard is not expected to have any impact on the Holding's financial situation or performance.

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 new developments or new information, and therefore do not constitute a correction of errors.

When 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 year's financial statements are readjusted. If the changes in accounting estimates are only for one period, they are then 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 to future periods as projected.

D. Summary of Material Accounting Policies

Cash and Cash Equivalents

With respect to presenting the cash flow statement, cash and cash equivalents comprise cash-on-hand and cash-in-demand deposits and maturity deposits. Cash and cash equivalents are recognized as part of 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 Instruments

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 longer 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 and 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 are 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

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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 active, 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 amortization 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 market 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 discounting procedures.

Classified under trade receivables, promissory notes and dated checks are subject to rediscounting and are carried with values reduced through the effective interest method.

The difference between the nominal value and the amortized value of trade receivables is recognized as 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:

Doubtful receivables from previous years

The debtor's ability to pay

Extraordinary conditions in the industry or the economy

As stated in IAS 1, "Presentation of Financial Statements," since trade receivables are 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 after more than twelve months from the balance sheet date.

Inventories

Inventories are required to be stated at cost or at the 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 the inventory is calculated using the weighted average method. The distribution of fixed production overhead to conversion costs is based on the assumption that manufacturing activities will be at normal capacity. 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 the real manufacturing level is close to normal capacity, this capacity is deemed to be the normal capacity.

Net realizable value is the estimated cost of sales in the ordinary course of business minus 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, which reflects 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 inventories is greater than the net realizable value, the cost is a written-down value at the net realizable value found by subtracting the provision for the impairment. Otherwise, no transaction can be performed.

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

Investment Purpose Real Estate Properties

Investment purpose real estate properties are real estate properties that are kept in order to obtain a rental income, a gain from an increase in value, or both. These real estate properties are held by either the owner or the tenant, depending on the financial lease agreement. They can consist of land, a building, a part of a building, or both and cannot be used for the following:

a) Administrative purposes or for the production or supplying of goods or services or

b) For the purpose of being sold in the normal course of business.

Investment purpose real estate properties are held for obtaining rental income, capital gains (capital appreciation), or both.

If the following conditions are met, the Company records an investment purpose real estate property as an asset:

a) If it is probable that the future economic benefits regarding this real estate property are going to be earned by the entity and

b) If the cost of the real estate property in question can be measured reliably.

An investment purpose real estate's initial measurement is performed according to its cost. Operation costs are also included in its initial measurement. However, investment purpose real estate properties purchased through financial leasing are recognized by either their fair values or by the present value of the minimum lease payments, depending on which of the two is lower.

Investment purpose real estate properties are valued in subsequent periods by electing to either use the fair value method or the cost method. In the valuation of its investment purpose real estate properties, the Group has chosen to use the fair value method.

When a tangible fixed asset is revalued, the accumulated depreciation on the date of the revaluation is corrected in proportion to the changes in the asset's gross book value. By doing so, the asset's book value after the revaluation becomes equal to the revalued amount.

Gains or losses arising from changes in the fair value of an investment purpose real estate property are included in the profit or loss of the period in which they occur and are recognized in the other operating income/expenses accounts (see Note 17).

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
Build	50	Straight-line

Tangible and Intangible Fixed Assets

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

a) Future economic benefits attributable to the asset will more than likely flow to the enterprise and

b) The cost of the asset can be measured accurately.

Intangible and tangible fixed 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 — which 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 a cost minus 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 accurately. The re-valued amount is the fair value at the revaluation date minus 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 model in the measurement of the tangible and intangible fixed 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
Underground and overland plants	5	Straight-line
Machinery, Plant, 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 and R&D expenses	0-10	Straight-line
Other Intangible Fixed Assets	5-10	Straight-line

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

Even when purchased together, property and buildings are tangible assets that are recognized separately. There is no amortization for assets like property or land whose useful life is indeterminable or indefinite.

Tangible fixed 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 the realizable value, those assets are written-down to their realizable values. The realizable value is the higher of an asset's net selling price or its value in use. When calculating value in use, the estimated future cash flow expected to arise is discounted to present values using the pre-tax rate which reflects the risks specific to the asset. Realizable value for assets, which do not generate large cash inflows independently from other assets or groups of assets, is 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 fixed assets represent rights — rights regarding mining investments, research and development expenses, and other nonmonetary items. Intangible fixed assets purchased before January 1, 2005 are recognized as cost adjustments due to the effects of inflation, while those purchased after December 31, 2004 are recognized as the purchasing cost minus the accumulated amortization and impairment values. Amortization of intangible fixed 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 indefinitely useful life. Amortization of intangible fixed 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 and research and development expenses within intangible fixed assets are capitalized based on cost value when a future economic benefit is probable. Moreover, these intangible fixed 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; topographic, geological, geochemical, or geophysical studies; exploratory drilling; excavation; and other similar types of expenses are included in the cost during the initial recognition of R&D assets. "The Framework for the Preparation of Financial Statements" and IAS 38, "Intangible Fixed 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, as stated in the IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" standard.

Assets, receivables, payables, income and expenses, and cash flows resulting from the exploration for and evaluation of mineral resources are presented in the footnotes of this report.

Taxation and Deferred Taxes

The Turkish tax code does not allow a parent company and its subsidiaries to file a consolidated tax return. This is why the tax provisions recognized in consolidated financial statements have been calculated separately for each company. The tax expense/income of a company is the sum of its current and deferred tax expense/income.

The tax liability for the current year is calculated based on the taxable income for that period. The taxable income is different than the income shown on the income statement since it excludes taxable or deductible revenues and expenses as well as nontaxable and nondeductible items from previous years. The Holding's tax liability of the current fiscal year was calculated based on either the tax rate which has already been legally accepted or on the rate that will be accepted on the date of the balance sheet.

Current tax payables are netted against prepaid taxes if they are paid or expected to be paid to the same tax authority. Likewise, deferred tax assets and liabilities may be netted against one other.

Deferred taxes are determined by 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 also that the process will not be part of a business combination and 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-merger 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 provided that there is a probability that sufficient future taxable income will exist, against which the loss or credit carry-forward items may be applied.

According to the applicable tax code, tax schedules currently in effect or substantively in effect as of the date of the balance sheet are used when calculating deferred taxes.

When calculating deferred tax liability for all taxable temporary differences, the deferred tax assets, consisting of deductible temporary differences, are calculated provided that the enterprise will generate taxable income in the future and that it is virtually certain these differences will be utilized (see Note 35).

Deferred tax assets and deferred tax liabilities are deducted from one other provided that they are subject to the tax laws of the same country and that 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. The steps for applying the acquisition method are as follows:

a) Identification of the acquisition,

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

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

Severance Provisions

Severance indemnities are the documented sums of all potential estimated liabilities arising from the retirements or complete severances of employees who no longer have ties to the company after either at least 12 months of service, the military draft, or death in the foreseeable future, as of the date of the balance sheet (see 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 (see Note 24).

In this context, the Company accrued severance provisions on the financial statements attached based on the actuarial calculations made in accordance with the "International Accounting Standards on Employee Benefits" (IAS 19) for potential future liabilities that may arise in the event that all financial institution employees subject to the labor act are retired or terminated after one year of employment, or have been called upon for military service, or have died.

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 to settle a provision are expected to be reimbursed by another party, the reimbursement should be recognized in the financial statement. However, it must be all but certain that reimbursement will be received if the enterprise settles the obligation.

One of three methods is used for 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 increase 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 that there are no risks or 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 probable 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 (see Notes 22 and 23).

Warranty Provisions

Warranty provisions are the recognized expenses of repairs and maintenance performed for goods manufactured and sold by the enterprise and include the cost of labor, free parts at technical service centers as part of the warranty, the cost of initial maintenance assumed by the enterprise, 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 all risks and rewards related to the leased asset to the holding and group companies are measured at the lesser of the fair value or 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 in order to produce a periodic fixed interest rate on the remaining balance of the payables for each period of the term of the lease. The finance expenses are recognized on 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 on 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 met.

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Sale of Goods

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

Sale of Services

Revenue arising from the sale of services is recognized when the services reach a completion stage that can be measured accurately. If the revenue generated from an agreement cannot be measured accurately, 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.

Dividends

Revenue is recognized when a shareholder's 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 IAS 39 "Financial Instruments: Recognition and Measurement" standard.

When the outcome of a sale of services cannot be measured accurately, the transaction revenue is recognized by referencing the stage of completion of the transaction as of the date of the balance sheet.

The completion stage of a sale of services may be measured using various methods. Depending on the nature of the transaction, the method that provides the most accurate measurement is used. Depending on the nature of the transaction, the following methods are used:

a) Audits of completed transactions

b) The ratio of services completed to total considered services until the balance sheet date

c) The ratio 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. The income and expenses are calculated throughout the term of credit sales and purchases using the effective interest rate method and are reflected in the financial income and expenses account.

Borrowing Costs

Borrowing costs are recognized as expenses on the consolidated financial statement, irrespective of the nature of the borrowing, during the period when these expenses are incurred and after the cost of the transactions have been deducted. In subsequent periods, the costs are recognized at the discounted value in the consolidated financial statement, and the difference between the cash inflow and the repayment value is expensed on 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 common stock holders by the weighted average number of common stock outstanding during the fiscal year. The weighted average number of common stock outstanding during the fiscal year is calculated with respect to undiluted earnings per share.

Financial Instruments

Recognition and Derecognition of Financial Instruments

An entity must recognize financial assets or liabilities on the balance sheet only when the entity becomes a party to the contractual provisions of the financial instrument. An entity must derecognize a financial asset or part of a financial liability when the entity does not control the asset. A financial liability should be removed from the balance sheet 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 may be settled between knowledgeable and willing parties in an arm's length transaction. When 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 interpreting market inputs for estimating fair values. Hence, the estimates presented here may not indicate the possible value obtained by the entity from a current transaction in the market.

The following methods and assumptions have been used to estimate the fair value of financial instruments whose fair value can be determined:

Financial Assets

The fair value of foreign currency balances which have been converted from end-of-period rates are recognized as being within reasonable convergence with the recognized value. Translation gains and losses arising from such financial instruments are reported in the financial income/expenses account.

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

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 or 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 with the registered value.

Trade payables are measured at fair value. According to IAS 1, "Presentation of Financial Statements," because trade payables are part of the working capital of the enterprise during a normal operating cycle, they are classified as short term even if not due within 12 months following the annual reporting date.

If the company plans and chooses to refinance or rollover its financial debt after 12 months following the end of the fiscal year, then this debt is classified as long-term even if paid in the short term. However, if the refinancing or the rollover of the debt is not the chosen option of the company (e.g., absence of a refinancing contract) then the refinancing potential is not taken into consideration and the debt is classified as a short-term debt.

Trade and financial liabilities are valued based on the effective interest rate method; any gains or losses that arise are reflected in the cost of sales and financial income/expenses.

According to 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 on the income statement. On the other hand, financial liabilities are classified into two groups: those with fair value differences reflected on the income statement and those classified as other financial liabilities.

Financial Risk

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 receivables provisions are allocated. Provisions have been allocated for doubtful receivables incurred up to the reporting date (Note 39).

Currency Risk

Currency risk arises from changes in the exchange rates of a financial instrument. The balance of the foreign currency transactions from operating, investment, and finance activities of the Holding as of the reporting date is given in Note 38. A foreign currency risk arises when exchange rates increase in favor of 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 obligations. The Group manages its liquidity risk by balancing the distribution of the maturity of its assets and liabilities (Note 39-f).

Government Incentives and Subsidies

Government incentives are not reflected on the financial statements unless a reasonable assurance exists that certain terms will be fulfilled. These terms include: a) conditions for obtaining incentives are met by companies and b) incentives are obtained by companies. 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 on the financial statements.

Dividends

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

Issued Capital

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 or its subsidiaries and 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 Holding.

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 IAS 10, "Events after the Reporting Period" standard, 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 the adjustment of financial statements, then the entity must explain these events in the footnotes of 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 amounts. Based on this definition, investments with less than three months' maturity are considered cash equivalents. Investments in securities that represent equity are not considered 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 flows 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 in which the company operates. Investment activities of cash flow show the flow of cash used and sourced through the investment activities of the company. The cash flow from operational activities is generated from operational areas in which the company operates. Investment activities of cash flows 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 does the following:

(a) Conducts operational activities to generate sales revenue and make payments (including revenue and expenses related to transactions carried out with other parts of the company),

(b) Regularly reviews operating results to determine which resources to allocate to the unit and to assess the unit's performance through management channels that are 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 that could affect the total reported assets and liabilities as well as the explanations of contingent assets and liabilities and of revenues and expenses during the fiscal year. Any assessment, estimation, or assumption employed in accounting is regularly reviewed and assessed in light of past experiences, additional factors, current circumstances, and reasonable expectations about future developments. Actual results may deviate from assumptions despite the fact that the estimations and assumptions reflect management's best judgments of current events and transactions.

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

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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 Provisions for litigation and warranty claims

Note 24 Severance provisions

Note 35-b Deferred tax assets and liabilities

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

a) If there is an indication of impairment, the Group determines whether impairment truly exists 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 flows 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 these cash flows.

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 carried-over 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, 2011.

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

Note 3 – Business Combinations

Current Fiscal Year:

The Boards of Directors of Ihlas Madencilik and Bayındır Madencilik, both of which are Group companies, passed resolutions on January 11, 2011 to pursue the merger of the two companies. Within the framework of these resolutions, the companies applied to the Capital Markets Board in order to obtain authorization for the universal take-over of all the assets and liabilities of Ihlas Madencilik A.Ş., for the combination of the companies under Bayındır Madencilik, and for the renaming of Bayındır Madencilik to "Ihlas Madencilik A.Ş.," all in accordance with applicable laws. The Capital Markets Board approved the application of Bayındır Madencilik in its Weekly Bulletin, No: 2011/13, dated April 1, 2011. At the General Shareholders' Meeting of Bayındır Madencilik — held on May 7, 2011 — shareholders resolved that Bayındır Madencilik should merge with Ihlas Madencilik by the acquisition of the latter by the former. They further resolved the amendment of Article 2 and Article 6 of the Company's Articles of Association upon the authorization obtained from the Capital Markets Board and Ministry of Industry and Technology General Directorate of Domestic Trade as well as the renaming of Bayındır Madencilik to Ihlas Madencilik A.Ş. In addition, they resolved the reduction of the issued capital of Bayındır Madencilik to 23,576,467 Turkish lira from 36,000,000 Turkish lira and the simultaneous increase of the issued capital — which was reduced due to the merger — by 55,966,071 Turkish lira to 79,542,538 Turkish lira. All resolutions were made within the framework of legal authorizations and applicable laws.

The merger by take-over of Bayındır Madencilik and Ihlas Madencilik was finalized and authorized on May 18, 2011, and the issued capital of Bayındır Madencilik was increased to 79,542,538 Turkish lira. Bayındır Madencilik was renamed Ihlas Madencilik A.Ş. Since the "difference in the additional contribution to equity by the merger" — an amount of 7,856,558 Turkish lira which included the minority shares resulting from the capital decrease caused by the merger — is a compulsory item required by the Capital Markets Board to be shown on the financial statements, it is shown under the title of "Other

Capital Reserves" on the consolidated financial statement (balance sheet).

Previous Fiscal Year: None.

Note 4 – Joint Ventures

None (December 31, 2010: None).

Note 5 – Segment Reports

January 1, 2011 - December 31, 2011 Fiscal Year

Company Name	Home Appliances	Mining	Energy	Group Total
Net Sales Revenues (Net)	98.360.388	1.148.152	-	99.508.540
Cost of Sales (-)	(92.442.567)	(1.029.511)	-	(93.472.078)
Gross Profit/Loss	5.917.821	118.641	-	6.036.462
Operating Expenses	(10.024.448)	(3.040.475)	(9.189)	(13.074.112)
Other Operations, Income, and Profits	8.520.569	4.447.243	15.564	12.983.376
Other Operations, Expenses, and Losses (-)	(32.701.840)	(989.490)	(2.366)	(33.693.696)
Operating Profit/Loss	(28.287.898)	535.919	4.009	(27.747.970)
Financial Income /Expenses (Net)	(4.500.773)	205.594	-	(4.295.179)
Profit/Loss from Continuing Operations Before Taxes	(32.788.671)	741.513	4.009	(32.043.149)
Total Assets	221.837.532	63.958.574	6.709	285.802.815
Total Liabilities	75.304.649	7.033.193	9.863	82.347.705

January 1, 2010 - December 31, 2011 Fiscal Year

Company Name	Home Appliances	Mining	Energy	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)	(2.559.725)	(257.830)	(10.675.953)
Other Operations, Income, and Profits	15.225.014	3.255.436	333.600	18.814.050
Other Operations, Expenses, and Losses (-)	(6.379.040)	(6.485.723)	(65.742)	(12.930.505)
Operating Profit/Loss	9.418.825	(6.458.900)	10.028	2.969.953
Financial Income/Expenses (Net)	2.987.630	(247.326)	(346.944)	2.393.360
Profit/Loss from Continuing Operations Before Taxes	12.406.455	(6.706.226)	(336.916)	5.363.313
Total Assets	220.720.186	68.663.293	5.133	289.388.612
Total Liabilities	45.600.137	12.290.917	9.929	57.900.983

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Note 6 - Cash and Cash Equivalents

	31.12.2011	31.12.2010
Cash	113.091	256.793
Banks	357.642	37.773.390
Demand Deposits	330.036	824.347
Time Deposits	27.606	36.949.043
Unrestricted time deposits with maturity of up to 3 months	-	36.300.000
Restricted time deposits with maturity of up to 3 months	-	523.810
Liquid Funds	27.606	125.233
Checks and promissory notes maturing on the reporting date	-	2.151.300
Other Cash Equivalents	11	2.300
Total	470.744	40.183.783

Interest rates for time deposits in Turkish lira are between 7.5 and 8.5 percent as of December 31, 2010.

Ihlas Madencilik A.Ş. has restricted time deposits of 125,986 Turkish lira during the current fiscal year.

Note 7 – Financial Investments

	31.12.2011	31.12.2010
Short-Term Financial Investments	43.631.358	25.843.181
Financial assets whose fair value differences are recognized on the profit/loss statement	43.631.358	15.712.000
Stocks [a]	58.936.619	7.456.760
Provisions for stock value appreciation (+)/Provisions for stock value impairment (-)	(15.305.261)	8.255.240
Banks	-	10.131.181
Unrestricted time deposits with maturities of greater than 3 months	-	10.131.181

[a] Consists of stocks with ticker symbols IHLAS and IHMAD traded on the ISE.

Interest rate for time deposits in Turkish lira is 9 percent as of December 31, 2010.

Long-term Financial Investments

Available-for-Sale Financial Assets	Share	31.12.2011	Share	31.12.2010
A- Unconsolidated Subsidiaries				
Ihlas Mining (a)	%56,02	328.185	%74,70	328.185
Ihlas Mining Impairment Provisions (-)		(111.774)		(111.774)
B- Unconsolidated Affiliates				
Detes Maden Enerji ve Çevre Tek. Sis. Ltd Şti. (b)	%20,00	10.000	%20,00	10.000
C- Equity Securities of Affiliates and Subsidiaries				
Ihlas Gazetecilik A.Ş. (c)	%1,03	1.315.923	%1,03	1.315.923
Ihlas Gazetecilik Appreciation/Impairment Provisions		(177.375)		1.984.217
TOTAL		1.364.959		3.526.551

Based on their financial position on December 31, 2011 and December 31, 2010 and on the operations ending on the same dates, subsidiaries which are not materially significant on a single or consolidated basis on the total consolidated financial statements are excluded from the consolidation. These subsidiaries are classified as "Available-for-Sale Financial Assets" on the consolidated financial statements

(a) Ihlas Madencilik — a company founded in Ghana on July 11, 2008 with a total capital share of $300,000 with 90 percent of the company owned by the company's subsidiary, Ihlas Madencilik A.Ş. — is excluded from the consolidation since its financial statements are not materially significant on the consolidated financial statements and its operations do not generate significant cash flow. The Company has no obligation towards this subsidiary aside from the initial capital infusion and the required impairment provision that has been allocated.

(b) The subsidiary is excluded from the consolidation since its financial statements as of December 31, 2011 and December 31, 2010 are not materially significant on the consolidated financial statements and its operations do not generate significant cash flow. The Company has no obligation towards this subsidiary aside from the initial capital infusion.

(c) Appraised based on the market value and associated with the Appraisal Funds account. Ihlas Gazetecilik A.Ş. shares are traded on the Istanbul Stock Exchange (ISE) and the company posts its financial statements and reports on the ISE.

The information related to the financial statements of Ihlas Mining and Detes Ltd., which are among the available-for-sale but unconsolidated financial assets of the Company and which are dated December 31, 2011 and December 31, 2010, are as follows:

İhlas Mining (Birimi USD)	31.12.2011	31.12.2010
Current Assets	100.071	106.271
Fixed Assets	15.000	15.000
Short-Term Liabilities	-	-
Long-Term Liabilities	-	-
Equity	115.071	121.271
Net sales	-	16.927
Net Profit/Loss for the Period	(6.200)	(66.479)

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Ihlas Mining (USD)	31.12.2011	31.12.2010
Current Assets	42.175	199.133
Fixed Assets	834	20.716
Short-Term Liabilities	575.689	734.295
Long-Term Liabilities	-	-
Equity	(532.680)	(514.446)
Net sales	32.430	43.354
Net Profit/Loss for the Period	(18.234)	(9.034)

Note 8 – Financial Liabilities

	31.12.2011	31.12.2010
Short-Term Financial Liabilities	61.377	11.557.238
Bank Loans	59.618	11.162.836
Financial Lease Liabilities	1.759	394.402

A) Bank Loans:

				31.12.2011
	Currency Unit	Applied Interest Rate (%)	Maturity	Amount in TL
Short-Term Loans	TL	10-12	3 aya kadar	59.618
				59.618

				31.12.2010
	Currency Unit	Applied Interest Rate (%)	Maturity	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
	EUR	14	up to 3 months	4.349.398
	TL	10-12	3 to 12 months	262.933
				11.162.836

Maturity analysis of bank loans as of December 31, 2011 and December 31, 2010 is shown on the table below:

	31.12.2011	31.12.2010
Bank Loans	59.618	11.162.836
- Loans with maturity of up to 3 months	59.618	10.899.903
- Loans with maturity of 3 to 12 months	-	262.933

B) Finance Lease Liabilities:

Currency Unit	Maturity	31.12.2011	31.12.2010
TL	up to 3 months	-	63
USD	up to 3 months	-	27.408
EUR	up to 3 months	1.759	78.083
TL	3 to 12 months	-	121
USD	3 to 12 months	-	87.792
EUR	3 to 12 months	-	200.935
		1.759	394.402

Maturity analysis of financial lease liabilities as of December 31, 2011 and December 31, 2010 is shown on the table below:

	31.12.2011	31.12.2010
Financial Lease Liabilities	1.759	394.402
- Financial lease liabilities with maturity of up to 3 months	1.759	105.554
- Finance lease liabilities with maturity of 3 to 12 months	-	288.848

Note 9 – Other Financial Liabilities

	31.12.2011	31.12.2010
Other Financial Liabilities	28.899.098	7.437.400
Revolving Loans	28.899.098	7.437.400

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Note 10 – Trade Receivables and Payables

	31.12.2011	31.12.2010
Short-Term Trade Receivables	63.808.556	56.078.594
- Trade Receivables from Related Parties (*)	2.947.757	30.101.967
- Gross trade receivables from related parties	3.198.116	31.184.912
- Discount on trade payables to related parties (-)	(250.359)	(1.082.945)
Other Trade Receivables	60.860.799	25.976.627
- Buyers	6.989.409	3.937.761
- Post-dated checks and promissory notes	59.847.672	26.488.120
- Rediscount on trade receivables (-)	(2.721.942)	(1.065.114)
- Less: Doubtful receivables provisions	(3.254.340)	(3.384.140)

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

	31.12.2011	31.12.2010
Balance as of January 1	(3.384.140)	(3.433.239)
Provisions reversed in current year	129.800	50.158
Provisions for current year	-	(1.059)
Year-End Balance	(3.254.340)	(3.384.140)

	31.12.2011	31.12.2010
Short-Term Trade Payables	41.996.402	22.203.131
Trade payables to related parties (*)	591.036	1.044.359
- Gross trade payables to related parties	605.742	1.051.483
- Discount on trade payables to related parties (-)	(14.706)	(7.124)
- Other Trade Payables	41.405.366	21.158.772
- Sellers	14.347.354	8.917.609
- Post-dated checks and promissory notes	27.138.620	12.378.047
- Discount on trade payables (-)	(80.608)	(136.884)

[a] Details are explained in Note 37.

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, 2011.

Note 11 – Other Receivables and Payables

	31.12.2011	31.12.2010
Other Short-Term Receivables	**899.109**	**1.055.780**
Receivables from the Tax Authority	450.840	-
Deposits and Collaterals	253.412	145.638
İsmet Uzkut	188.890	-
Mehmet Okan	-	226.209
Other Receivables	5.967	683.933
Other Long-Term Receivables	**231.262**	**480.039**
Deposits and Collaterals	231.262	480.039
Other Short-Term Payables	-	-
Other Long-Term Payables	-	-

Note 12 – Receivables and Payables from Financing Activities

None (December 31, 2010: None).

Note 13 – Inventories

	31.12.2011	31.12.2010
Raw Materials and Supplies	27.365.739	18.402.114
Work-in-Process Inventory	233.731	683.529
Finished Goods	330.567	49.289
Commodities	1.581.959	1.446.697
Other Inventories (Goods in Transit) (a)	13.651.686	6.241.728
Provisions for Inventory Impairment (-)	(2.254.679)	(1.313.606)
Total	**40.909.003**	**25.509.751**

[a] Goods in transit comprise goods invoiced by foreign suppliers and delivered to customs but currently awaiting clearance by the company as of the reporting date.

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

Provisions as of January 1	**(1.313.606)**
Provisions for current year (-)	(941.073)
Provisions as of December 31	**(2.254.679)**

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

Note 14 – Biological Assets

None (December 31, 2010: None).

Note 15 – Assets from Construction Contracts in Force

None (December 31, 2010: None).

Note 16 – Investments Valued by Equity Method

None (December 31, 2010: None).

Note 17 – Investment Properties

Current Fiscal Year:	01.01.2011	Inflows	Outflows	31.12.2011
Cost				
Land	4.975.000	16.484.728	-	21.459.728
Buildings	35.532.627	4.515.272	-	40.047.899
Total	**40.507.627**	**21.000.000**	**-**	**61.507.627**
Less: Accumulated Depreciation				
Buildings	(1.524.610)	(874.234)	-	(2.398.844)
Investment Properties (Net)	**38.983.017**			**59.108.783**

Information on inflows during the current fiscal year is provided on the table below:

Tangible Fixed Assets	Appraisement Dates	Net Appraisement Value	Purchase Amount
Independent section No 14 [1]	17.01.2011	12.919.600	12.500.000
Independent section No 17 [1]	12.01.2011	8.745.000	8.500.000
Total		**21.664.600**	**21.000.000**

[1] Independent sections located in Istanbul province, Bahçelievler District, Yenibosna Neighborhood Sheet No. 24, Parcel No. 10913.

Previous Fiscal Year	01.01.2010	Inflows	Value Increase 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
Total	38.790.000	-	1.497.582	220.045	40.507.627
Less: Accumulated Depreciation					
Buildings	(1.070.375)	(454.235)	-	-	(1.524.610)
Investment Properties (Net)	37.719.625				38.983.017

(*) Information on value appreciations is provided on 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 Block No. 1727, Parcel No. 14 Tire/İZMİR (1)	220.045	-	220.045	325.000	104.955
Sam Köyü, Başpınar Mevkii, Sections 1-4, Parcel No. 116 Şehitkamil/GAZİANTEP (2)	3.915.000	-	3.915.000	4.650.000	735.000
Total Land Appreciation					839.955
Buildings					
Sam Köyü, Başpınar Mevkii, Sections 1-4, Parcel No. 116 Şehitkamil/GAZİANTEP (2)	16.735.000	(902.627)	15.832.373	16.490.000	657.627
Total Building Appreciation					657.627

(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.

The mortgages on the Group's investment properties amounted to $22,750,000 and 10,020,000 Turkish lira (December 31, 2010: $12,750,000 and 10,490,000 Turkish lira).

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Note 18 – Tangible Fixed Assets

Current Fiscal Year	01.01.2011	Girişler	Çıkışlar	31.12.2011
Cost				
Land; underground and overland plants	267.214	-	-	267.214
Machinery, plants, and equipment	28.810.425	509.996	(24.658.399)	4.662.022
Furniture, fixtures, and vehicles	10.211.076	440.566	(29.913)	10.621.729
Total	39.288.715	950.562	(24.688.312)	15.550.965
Less: Accumulated Depreciation				
Underground and overland plants	(115.456)	(53.433)	-	(168.889)
Machinery, plants, and equipment	(26.972.852)	(532.020)	24.617.483	(2.887.389)
Furniture, fixtures, and vehicles	(7.234.232)	(930.513)	27.958	(8.136.787)
Total	(34.322.540)	(1.515.966)	24.645.441	(11.193.065)
Tangible Fixed Assets (Net)	4.966.175			4.357.900

Previous Fiscal Year	01.01.2010	Girişler	Çıkışlar	Transferler (*)	31.12.2010
Cost					
Land; underground and overland plants	361.524	125.735	-	(220.045)	267.214
Machinery, plants, and equipment	63.241.149	80.059	(34.510.783)	-	28.810.425
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					
Underground and overland plants	(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.

The mortgages on the Group's property totaled €250,000 (December 31, 2010: €250,000).

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The tangible fixed assets obtained by the Company through financial leasing are as follows:

Current Fiscal Year	01.01.2011	Inflows	Outflows	31.12.2011
Machinery, plants, and equipment	2.169.749	-	-	2.169.749
Total	2.169.749	-	-	2.169.749
Less: Accumulated Depreciation				
Machinery, plants, and equipment	(855.783)	(295.267)	-	(1.151.050)
Total	(855.783)	(295.267)	-	(1.151.050)
Tangible Fixed Assets (Net)	1.313.966			1.018.699

Previous Fiscal Year	01.01.2010	Inflows	Outflows	31.12.2010
Machinery, plants, and equipment	2.169.749	-	-	2.169.749
Total	2.169.749	-	-	2.169.749
Less: Accumulated Depreciation				
Machinery, plants, and equipment	(560.516)	(295.267)	-	(855.783)
Total	(560.516)	(295.267)	-	(855.783)
Tangible Fixed Assets (Net)	1.609.233			1.313.966

Note 19 – Intangible Fixed Assets

Current Fiscal Year	01.01.2011	Inflows	Outflows	31.12.2011
Cost				
Exploration Expenses	1.775.869	676.222	-	2.452.091
Rights	8.390.895	3.804.123	(2.392.573)	9.802.445
Other Intangible Fixed Assets	1.190.100	271.134	-	1.461.234
Total	11.356.864	4.751.479	(2.392.573)	13.715.770
Less: Accumulated Amortization				
Exploration Expenses	(1.757.779)	-	-	(1.757.779)
Rights	(7.777.028)	(115.026)	2.291.817	(5.600.237)
Other Intangible Fixed Assets	(928.862)	(116.811)	-	(1.045.673)
Total	(10.463.669)	(231.837)	2.291.817	(8.403.689)
Intangible Fixed Assets (Net)	893.195			5.312.081

Previous Fiscal Year:	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

There are no pledges, liens, or restrictions on the intangible fixed assets of the Group (December 31, 2010: None).
The Group performed an impairment test on its intangible fixed assets and decided that no impairment existed as of December 31, 2011.

Note 20 – Goodwill

	31.12.2011	31.12.2010
a) Goodwill resulting from the acquisition of Ihlas Madencilik	35.816.922	37.624.268
b) Goodwill resulting from the acquisition of Mir Maden	3.982.078	3.982.078
a) Goodwill resulting from the acquisition of Ihlas Madencilik	124.002	124.002
Total Goodwill	39.923.002	41.730.348

a) Concerning the goodwill resulting from the acquisition of 7 percent (this rate dropped to 5.25 percent following the merger of Ihlas Madencilik and Bayındır Madencilik, both subsidiaries of the Group, during the current fiscal year as a result of the capital decrease) of Ihlas Madencilik stocks by Ihlas Ev Aletleri Imalat San. ve Tic. A.Ş. from Ihlas Holding A.Ş., the parent company, the company asked Aday 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 a 9.86 percent discounted rate to determine whether any impairment existed in goodwill as of December 31, 2011, in accordance with IAS 36. According to this valuation report, dated February 8, 2012 and based on the discounted value of its future cash flows, it is concluded that the company's 5.25 percent share was valued at $20,543,969 (38,805,504 Turkish lira) using the discounted future cash flows. The goodwill is calculated as follows:

	Valuation Date	Share of Equity per Shareholder	Valuation	Goodwill
Valuation of goodwill concerning 5.25% of Ihlas Madencilik stocks acquired by the Company from Ihlas Holding A.Ş. as of 31.12.2011	08.02.2012	2.988.582	38.805.504	35.816.922

The calculation of the goodwill impairment provision of 1,807,346 Turkish lira as of December 31, 2011 is given on the table below:

5.25% of the market capitalization of Ihlas Maden as per the valuation report dated 08.02.2012	38.805.504
5.25% of the total equity of Ihlas Maden as of 31.12.2011	2.988.582
The goodwill calculated as of 31.12.2011	35.816.922
The goodwill calculated as of 31.12.2010	37.624.268
Goodwill Impairment Provisions (-) as of 31.12.2011	**1.807.346**

b) The Company asked Aday Bağımsız Denetim ve Danışmanlık S.M.M.M. A.Ş. to prepare a valuation report for Ihlas Madencilik concerning the goodwill resulting from the acquisition of Mir Madencilik stocks by Ihlas Madencilik, a Group subsidiary, to determine whether there had been any impairment as of December 31, 2011 (in accordance with IAS 36) based on the discounted value of its future cash flows at a 9.86 percent discounted rate. According to this valuation report, dated February 9, 2012 and based on the discounted value of its future cash flows, it is concluded that the company's 99 percent share was valued at 8,552,072 Turkish lira and, as shown on the table below, no impairment occurred in goodwill:

99% of the market capitalization of Mir Madencilik as per the valuation report dated 09.02.2012	8.552.072
99% of the total equity of Mir Madencilik as of 31.12.2011	371.956
Goodwill calculated as of 31.12.2011	8.180.116
Positive goodwill as of 31.12.2010	3.982.078
Goodwill Impairment Provisions (-) as of 31.12.2011	-

c) Concerning the goodwill resulting from the acquisition of 76 percent (the said rate dropped to 57 percent following the merger of Ihlas Madencilik and Bayındır Madencilik, both subsidiaries of the Group, during the current fiscal year as a result of the capital decrease) of Ihlas Madencilik stocks by Ihlas Ev Aletleri Imalat San. ve Tic. A.Ş. from Ihlas Group A.Ş., the parent company, the company asked Aday 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 a 9.86 percent discounted rate to determine whether any impairment existed in goodwill as of December 31, 2011, in accordance with IAS 36. According to this valuation report, dated February 8, 2012 and based on the discounted value of its future cash flows, it is concluded that the company's 57 percent share was valued at $223,048,810 (421,316,897 Turkish lira) using the discounted future cash flows. As shown on the table below, no impairment occurred in goodwill:

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57% of the market capitalization of Ihlas Maden as per the valuation report dated 08.02.2012	421.316.897
57% of the total equity of Ihlas Maden as of 31.12.2011	32.447.468
The goodwill calculated as of 31.12.2011	388.869.429
The goodwill calculated as of 31.12.2010	124.002
Goodwill Impairment Provisions (-) as of 31.12.2011	-

Note 21 – Government Grants and Incentives

None (December 31, 2010: None).

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

Provisions:	31.12.2011	31.12.2010
Long-Term	1.065.584	2.137.629
Warranty Provisions	963.314	2.033.681
Provisions for Litigation	102.270	103.948

Provisions allocated for litigation and warranty claims for the fiscal period are as follows:

Provisions for Warranty Claims	31.12.2011	31.12.2010
Opening Balance	2.033.681	1.507.294
Provisions during the fiscal year	963.314	2.033.681
Provisions no longer required	(2.033.681)	(1.507.294)
Closing Balance	963.314	2.033.681

Provisions for Litigation	31.12.2011	31.12.2010
Opening Balance	103.948	108.548
Provisions during the fiscal year	102.270	103.948
Provisions no longer required	(103.948)	(108.548)
Closing Balance	102.270	103.948

Contingent Assets and Liabilities and Commitments:

a) Collaterals, pledges, and mortgages given by the Group:

Tables related to Collaterals, Pledges, and Mortgages ("CPM") of the Company, as of December 31, 2011 and December 31, 2010, are as follows:

CPMs Issued by the Group (31.12.2011)	USD Balance	EUR Balance	TL Balance	TOTAL (in TL)
A. Total of the CPMs issued by the Parent Company in favor of its own legal entity B-1. Ana	629.848	1.650.303	57.563.273	62.786.005
B-1. Total of the CPMs issued by the Parent Company in favor of subsidiaries and affiliates included in full consolidation	-	27.200.000	-	66.471.360
B-2. Total of the CPMs issued by subsidiaries and affiliates included in full consolidation in favor of themselves and each other	-	250.000	1.232.449	1.843.399
C. Total CPMs issued by the Parent Company to cover the obligations of other third parties to sustain regular trade operations	-	-	-	-
D. Total of the other CPMs issued	23.112.230	225.000	14.687.774	58.894.320
i. Total of the CPMs issued in favor of the Parent Company	22.850.000	0	14.592.000	57.753.365
ii. Total of the CPMs issued in favor other Group companies not covered in items B and C	262.230	225.000	95.774	1.140.955
iii. Total of the CPMs issued in favor of third parties not covered in item C	-	-	-	-
Total	23.742.078	29.325.303	73.483.496	189.995.084
Company's Total Shareholders' Equity				203.455.110
Percentage of the amount of other CPMs given by the Group to the Company's equity				29 %

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CPMs Issued by the Group (31.12.2010)	USD Balance	EUR Balance	TL Balance	TOTAL (in TL)
A. Total of the CPMs issued by the Parent Company in favor of its own legal entity	154.350	442.229	374.000	1.518.796
B-1. Total of the CPMs issued by the Parent Company in favor of subsidiaries and affiliates included in full consolidation	80.837	27.356.516	182	56.181.393
B-2. Total of the CPMs issued by subsidiaries and affiliates included in full consolidation in favor of themselves and each other	-	230.000	4.684.765	5.156.058
C. Total of the CPMs issued by the Group to cover the obligations of other third parties to sustain regular trade operations	-	-	-	-
D. Total of the other CPMs issued	20.112.230	1.403.000	75.205.854	109.174.249
i. Total of the CPMs issued in favor of the Parent Company	12.850.000	1.178.000	14.776.800	37.056.740
ii. Total of the CPMs issued in favor other Group companies not covered in items B and C	7.262.230	225.000	60.429.054	72.117.509
iii. Total of the CPMs issued in favor of third parties not covered in item C	-	-	-	-
Total	20.347.417	29.431.745	80.264.801	172.030.496
Company's Total Shareholders' Equity				231.487.629
Percentage of the amount of other CPMs given by the Group to the Company's equity				%47

Details that concern the contingent assets, contingent liabilities, and commitments that were presented on the table above and that should be further clarified are as follows:

Detes Enerji, one of the Company's subsidiaries, signed a purchase and consultancy services contract on May 15, 2008 for €30,200,000 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 in order to covert solid fuels into energy in a highly efficient and environmentally-safe way. The Company signed the contract as the guarantor. According to the provisions of this contract, the subsidiary Detes Enerji made an advanced payment of €3,000,000 to Envirotherm GmbH in 2008. The Company's guarantee amount continues to be €27,200,000 as of the reporting date (December 31, 2010: €27.200.000) (Classified in the CPMs issued in favor of the fully consolidated Group companies).

The Company had 20,034,711 IHMAD shares (worth 57,299,273 Turkish lira) blocked for the loans it has used for buying shares. (This is classified as CPMs given in favor of its own legal person).

b) Total mortgages and other collaterals were received by the Company to secure receivables of $28,451,000. (This amount includes the checks and promissory notes received from company's dealers and Ihlas Pazarlama A.Ş. operating under distribution agreements.) (December 31, 2010: $28,451,000).

In addition, 17,620,000 units of Vakıfbank stock — held by Enver Ören, a shareholder in Ihlas Holding A.Ş. — are pledged in favor of Ihlas Ev Aletleri. (December 31, 2010: 17,620,000 stocks)

c) Pending claims and foreclosure litigations concerning the Group, as of December 31, 2011, are summarized as follows:

	Number of Cases	Claim Amount
Pending litigation initiated by the Group	12	157.588
Foreclosure proceedings filed by the Group	13	605.275
Pending claims against the Group	28	371.336
Foreclosure proceedings filed against the Group	7	701.895

Ihlas Holding A.Ş., the parent company of IHEVA, issued a lot of 8,000,000 company shares to Lehman Brothers as a deposit in accordance with an options contract ending on July 24, 2009. Research and analyses conducted by Ihlas Holding A.Ş. revealed that Lehman Brothers Groups 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 Group 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. The Company won the case during the current fiscal year and the shares were returned. The case has been appealed by the defendant.

The Group reserved total provisions of 102,270 Turkish lira (previous fiscal year: 103,948 Turkish lira) for the legal claims brought against itself as of December 31, 2011 and did not set aside any provisions for claims where the probability of winning a case was strong.

Note 24 – Employee Benefits

	31.12.2011	31.12.2010
Short-Term	**-**	**-**
Long-Term	**1.897.987**	**1.092.263**
Severance Provisions	1.897.987	1.092.263

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 has died after being employed for a minimum of twelve months. As of December 31, 2011, the severance amount is equivalent to one month's salary, not to exceed 2,731.85 Turkish lira (December 31, 2010: 2,517.01 Turkish lira), per year of service.

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 Group'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.

	31.12.2011	31.12.2010
Discount Rate	% 4,25	% 4,66
Estimated Interest Rate	% 9,52	% 10
Estimated Inflation Rate (expected salary increase)	% 6,56	% 5,10
Non-Payment Rate of Severance Provisions	% 4-%5	% 3-%11

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	31.12.2011	31.12.2010
Provisions as of January 1	**1.092.263**	**1.044.564**
Payments Made During the Fiscal Year	(172.728)	(149.886)
Increases/Decreases During the Fiscal Year	978.452	197.585
Year-End Provisions	**1.897.987**	**1.092.263**

Note 25 – Post-Employment 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

	31.12.2011	31.12.2010
Other Current Assets	**14.549.302**	**22.679.443**
Advance payments for purchase orders	10.584.758	17.504.509
VAT carried forward	2.944.543	2.198.261
Business advances	894.743	2.197.712
Prepaid taxes and funds	32.331	156.479
Expenses for future months	92.927	100.421
Accrued revenue receivables for upcoming months	-	522.061
Other Fixed Assets	**56.313**	**21.038.293**
Advances paid [a]	56.313	21.038.293
Other Short-Term Liabilities	**4.204.816**	**10.238.485**
Advances received for purchase orders	109.030	993.486
TEDAŞ late fee payables [b]	1.450.424	6.664.703
Taxes, duties, and other withholding payables	1.016.606	1.617.686
Tax Liabilities and SSI Provisions	647.839	367.707
Payables to employees	553.314	572.354
Deferred and Installed Payables to Government	273.385	-
Provisions for Other Liabilities and Expenses	115.577	-
Other	38.641	22.549
Other Long-Term Liabilities	**2.346.406**	**-**
TEDAŞ late fee payables [b]	1.933.898	-
Deferred and Installed Payables to Government	363.462	-
Tax Liabilities and SSI Provisions	49.046	-

[a] 21,000,000 Turkish lira of this balance comprises advance payments for purchases made by Ihlas Madencilik, a Group company that is to purchase the 14th and the 17th sections of the Ihlas Group Media Plaza, which 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.

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[b] Comprises the debts of Ihlas Madencilik, a Group company, to TEDAŞ. The said debts have been structured in accordance with Law No. 6111 on the "Restructuring of Certain Receivables and Amendment to the Law of Social Insurance and General Health Insurance and Certain other Laws and Decree Laws."

Note 27 – Shareholders' 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, 2011 and December 31, 2010, the Company's registered and issued capital and capital structure are as follows:

	31.12.2011		31.12.2010	
Name/Company Title	Share (%)	Share Amount	Share (%)	Share Amount
Ihlas Pazarlama Yatırım Holding A.Ş.	17,60	33.681.000	17,60	33.681.000
Ihlas Holding A.Ş. [(1)(2)]	7,32	14.000.000	4,18	8.000.000
Free Float [(1)]	74,83	143.205.723	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)] Ihlas Holding A.Ş., the parent company of IHEVA, purchased 6,000,000 company shares from the ISE in 2011, increasing its shares to 7.32 percent, in order to gain more control of the business.

[(2)] Ihlas Holding A.Ş., the parent company of IHEVA, issued a lot of 8,000,000 (4.18 percent) company shares to Lehman Brothers as a deposit according to an options contract which ended on July 24, 2009. Research and analyses conducted by Ihlas Holding A.Ş. revealed that Lehman Brothers Groups Inc., New York, filed for bankruptcy and that the options contract between Ihlas Holding A.Ş. and 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 8,000,000 company shares (IHEVA) that had been 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 company website indicates that commercial relations had not been reconciled and that ownership of any rights and obligations were indeterminable. Therefore, Ihlas Holding A.Ş., the parent company of IHEVA, filed for an interim court injunction for 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 — on March 13, 2009, within the allowed timeframe — 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 the desired option were unavailable. PWC Zurich, which was assigned as liquidators for Lehman Brothers Finance S.A., was notified in writing. The counter party submitted a plea. The court has given time to the Ihlas Holding A.Ş. to prepare an answer to this plea and decided in favor of the continuation of the interim injunction. The proceedings were adjourned until May 15, 2012.

	31.12.2011	31.12.2010
B. Share Premiums	6.534.581	6.534.581
C. Value Increase Funds (*)	-	1.984.217
D. Capital Adjustment for Mutual Ownership (-)	-	-
E. Foreign Currency Translation Differences	-	-

(*) Comprises value increase funds that emerged during the previous fiscal year resulting from the valuation of the stocks of Ihlas Gazetecilik A.Ş., in which the Company has 1.03 percent shares, based on the market value. They were closed due to loss in value during the current fiscal year.

F. Other Capital Reserves

	31.12.2011	31.12.2010
Other Capital Reserves (*)	4.890.469	-

(*) A 7,856,558 Turkish lira portion of the "additional contribution to equity that resulted from the capital decrease following the merger" of Ihlas Madencilik A.Ş. and Bayındır Madencilik A.Ş., both Group companies, which corresponded to the parent company (see Note 3).

G. Statutory Reserves Allocated from Profits

Allocated as primary reserves is 5 percent of the net income on the statutory financial statements until this percentage reaches 20 percent of the total revalued issued capital. Allocated as supplementary reserves is 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 as long as the reserves do not exceed 50 percent of the issued capital.

	31.12.2011	31.12.2010
Profit Reserves	1.887.847	1.680.909
Legal Reserves (*)	1.753.558	1.546.620
Special Reserves	134.289	134.289

(*) Explanations and entries related to the increase in legal reserves in the current financial year are explained on the table below:

	Legal Reserves 31.12.2011
Opening Balance	1.546.620
Legal reserves from the legal profit of the parent company	206.938
Closing Balance	1.753.558

H. Profit/Loss from the Previous Year

According to established practices before January 1, 2008, "Capital, Shares, Issue Premiums, Statutory Reserves, Legal Reserves, Special Reserves, and Extraordinary Reserves" under equity items 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 Shareholders' 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, Statutory 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 — which entered into force on January 1, 2008 — and the explanations of CMB 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, and

- Recognized as the book value under the "profit/loss from previous years" account if arising from "restricted reserves from profit" or "share premiums" but that 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.

Changes to the profit and loss account in the previous fiscal year are as follows:

	31.12.2011
Opening Balance	**(5.874.327)**
Net Profit/Loss for the Previous Fiscal Year	9.217.632
Legal reserves from the profit of the parent company	(206.938)
Subsidiary effective share exchanges	330.813
Closing Balance	**3.467.180**

According to Capital Markets Board (CMB) Resolution No. 2008/6 published in the Weekly Bulletin, effective January 1, 2008, the minimum payout ratio for companies with stocks publicly traded on the stock exchanges is 20 percent, which is also identified in Paragraph 1, Article 5 of 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." 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, then this amount can be retained within the Company instead of being distributed. 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. Statutory accounting records are shown on the table below. Accordingly, the Company did not have any distributable profit according to IAS/IFRS.

	According to IAS/IFRS	According to Legal Records (Separate)
Profit for the Period (excluding minority shares)	(32.290.323)	(4.366.843)
Taxes Payable	6.118.783	-
Net Profit/Loss for the Period	(26.171.540)	(4.366.843)
Profit/Loss for Previous Years	-	-
Primary Legal Reserves	-	-
Net Distributable Income for the Period	**-**	**-**

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I. Minority Shares

	31.12.2011	31.12.2010
Opening Balance	**26.574.616**	**30.461.593**
Additional Contribution to Shareholders' Equity by the Merger (see Note 3)	2.966.089	-
Subsidiary Effective Share Exchanges	(8.311.307)	15.367
Non-Parent Profit/Loss	247.174	(3.902.344)
Closing Balance	**21.476.572**	**26.574.616**

Note 28 – Sales and Cost of Sales

	01.01-31.12.2011	01.01-31.12.2010
Domestic Sales	85.204.135	90.067.005
International Sales	14.145.059	11.878.810
Other Sales	172.555	133.105
Total Gross Sales	**99.521.749**	**102.078.920**
Sales Discounts (-)	**(13.209)**	**(154.327)**
Net Sales	**99.508.540**	**101.924.593**
Cost of Sales (-)	(93.472.078)	(94.162.232)
GROSS SALES PROFIT	**6.036.462**	**7.762.361**

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

Product Groups	01.01-31.12.2011	01.01-31.12.2010
Home Appliances Group	**Quantity (Unit)**	**Quantity (Unit)**
Electric water heater group (work-in-progress)	170.837	192.714
Electric water heater group	166.580	189.694
Water purifiers group	99.305	92.978
Cleaning robots	69.190	67.075
Cleaning robots (work-in-progress)	60.792	55.165
Electric heaters	22.221	28.779
Carpet Cleaners and Vacuum cleaners	6.182	6.859
Electric tea makers	5.839	-
Scales	2.283	4.016

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

Product Groups	01.01-31.12.2011	01.01-31.12.2010
Home Appliances Group	Quantity (Unit)	Quantity (Unit)
Electric water heater group (work-in-progress)	171.636	194.314
Electric water heater group	167.010	189.711
Water purifiers group	99.320	92.978
Cleaning robots	69.191	66.879
Cleaning robots (work-in-progress)	60.792	55.165
Electric heaters	22.550	28.779
Carpet Cleaners and Vacuum cleaners	6.870	8.386
Electric tea makers	5.841	-
Scales	2.283	4.016

Note 29 – Operating Expenses

	01.01-31.12.2011	01.01-31.12.2010
Marketing, Sales, and Distribution Expenses	(2.385.887)	(2.782.182)
General Administrative Expenses	(9.655.228)	(7.050.551)
Research & Development Expenses	(1.032.997)	(843.220)
Total Operating Expenses	(13.074.112)	(10.675.953)

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Note 30 – Segmented Expenses

	01.01-31.12.2011	01.01-31.12.2010
Marketing, Sales, and Distribution Expenses	(2.385.887)	(2.782.182)
Provisions for warranty claims	(751.484)	(787.385)
Employee benefits	(721.044)	(555.473)
Transportation and distribution expenses	(368.036)	(299.764)
Exporting expenses	(98.392)	(124.834)
Quality certification expenses	(82.425)	-
Domestic and international travel expenses	(61.095)	(69.917)
Advertising expenses	(32.089)	(154.829)
Patent expenses (Turkish Standards Institute, etc.)	(30.257)	(160.297)
Electricity, water, and heating costs	(22.287)	-
Free sample expenses	(15.695)	(433.849)
Other sales and marketing expenses	(203.083)	(195.834)
General Administrative Expenses	(9.655.228)	(7.050.551)
Employee Benefits	(3.718.900)	(2.889.720)
Severance provision expenses	(839.279)	(88.722)
Rental expenses	(720.379)	(324.059)
Building upkeep and security expenses	(680.824)	(453.874)
Depreciation and amortization expenses	(583.352)	(151.377)
Audit and consultancy expenses	(582.651)	(113.396)
Claim expenses	(523.576)	(214.687)
Notary public, taxes, duties, etc.	(474.551)	(116.400)
Capital increase, CMB, CRA, and ISE listing expenses	(350.296)	(110.834)
Repair, maintenance, and energy expenses	(156.361)	(184.649)
Domestic and international travel expenses	(87.182)	(71.759)
Insurance expenses	(63.966)	(98.440)
Communication and stationery expenses	(59.527)	(82.630)
RCT Varlık Yönetimi A.Ş. Protocol	-	(1.259.600)
Provision Expenses	-	(271.435)
Deferred government receivables provisions expenses	-	(78.319)
Mining license expenses	-	(56.309)
Other administrative expenses	(814.384)	(484.341)
Research & Development Expenses	(1.032.997)	(843.220)
Employee Benefits	(864.159)	(689.698)
Project expenses	(151.572)	(74.051)
Other research expenses	(17.266)	(79.471)

Depreciation and Amortization Expenses

	01.01-31.12.2011	01.01-31.12.2010
Production costs	(1.828.685)	(1.773.108)
General administrative expenses	(583.352)	(151.377)
Other operating expenses	(210.000)	(996.291)
Depreciation and amortization expenses	(2.622.037)	(2.920.776)

Employee Benefits

	01.01-31.12.2011	01.01-31.12.2010
Marketing, Sales, and Distribution Expenses:	(721.044)	(555.473)
Gross salary expenses	(632.411)	(470.946)
Severance provisions	-	-
Other	(88.633)	(84.527)
General Administrative Expenses	(4.558.179)	(2.978.442)
Gross salary expenses	(3.193.830)	(2.471.093)
Severance provisions	(839.279)	(88.722)
Other	(525.070)	(418.627)
Research & Development Expenses	(864.159)	(689.698)
Gross salary expenses	(824.766)	(651.256)
Severance provisions	-	-
Other	(39.393)	(38.442)

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Note 31 – Other Operating Income and Expenses

	01.01-31.12.2011	01.01-31.12.2010
Other income:	12.983.376	18.814.050
Stock revaluation gains	5.130.256	11.466.000
Terminated Electricity Bill Obligations	2.591.167	-
Reversed warranty provisions	2.033.681	1.507.294
Provision for Settled Cases	103.948	108.548
Other Terminated Provisions	151.753	1.510.704
Rental income	1.079.964	867.808
Profit on fixed asset sales	777.019	143.942
Government Incentives	370.314	241.116
Reimbursed Legal Fees	274.899	-
Property revaluation gains	-	1.497.582
Affiliate and subsidiary stock revaluation gains	-	1.354.869
Other	470.375	116.187

	01.01-31.12.2011	01.01-31.12.2010
Other expenses:	(33.693.696)	(12.930.505)
Provisions for stock value impairment	(28.690.757)	(865.775)
Goodwill impairment provisions	(1.807.346)	(2.020.767)
Provisions for warranty claims	(963.314)	(2.033.681)
Tax expenses within the scope of Law No. 6111	(963.143)	-
Claim expenses	(305.876)	-
Doubtful trade receivables provisions	(226.209)	(275.660)
Idle capacity expenses	(210.000)	(1.409.632)
Decrease in Value of Long Term Marketable Securities and Participations' Shares	(177.375)	(111.774)
Provisions for Litigation	(102.270)	(103.948)
Cancelled claims income	-	(4.621.644)
Cancelled affiliate and subsidiary stock revaluation gains	-	(1.354.869)
Other	(247.406)	(132.755)

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Note 32 – Financial Income

	01.01-31.12.2011	01.01-31.12.2010
Financial gains from forward sales	6.808.150	154.230
Foreign exchange gains	2.398.029	3.225.927
Interest income	2.066.377	5.480.179
Profit from sales of securities	65.760	1.105
	11.338.316	8.861.441

Note 33 – Financial Expenses

	01.01-31.12.2011	01.01-31.12.2010
Financial loss from forward purchases	(6.577.624)	(826.233)
Foreign exchange losses	(5.479.852)	(1.326.322)
Interest expenses	(3.576.019)	(4.161.394)
Other	-	(154.132)
	(15.633.495)	(6.468.081)

Note 34 - Held-for-Sale Fixed Assets And Discontinued Operations

A Held-for-Sale Fixed Assets

None (December 31, 2010: None).

B. Discontinued Operations

None (January 1, 2010 - December 31, 2010: None).

Note 35 – Current Tax Assets and Liabilities

A. Tax Assets and Liabilities for the Current Fiscal Year

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, or 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, 2011 and December 31, 2010, the main components of tax expenses are as follows:

	31.12.2011	31.12.2010
Current Income Tax Liabilities	-	-
Reporting period corporate tax provisions	-	1.245.392
Prepaid taxes and funds (-)	-	(1.245.392)

Income Statement	01.01-31.12.2011	01.01-31.12.2010
Reporting period corporate tax provisions	-	(1.245.392)
Deferred taxes expense/income	6.118.783	1.197.367
Tax reflected on the income statement	6.118.783	(48.025)

B. Deferred Tax Assets and Liabilities

The Group calculates deferred tax assets and liabilities on income, taking into consideration the effects of temporary differences which arise from different treatments of balance sheet items on the financial statements in accordance with 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 the tax code.

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

As of December 31, 2011, and December 31, 2010, the breakdown of accumulated temporary differences and deferred tax assets and liabilities using the tax rates in effect are as follows:

		31.12.2011		31.12.2010
	Total Temporary differences	Deferred tax assets Liability)	Toplam Temporary differences	Deferred tax assets (Liability)
Deferred tax liabilities				
Temporary differences in tangible fixed assets	(7.747.903)	(1.549.581)	(8.073.028)	(1.614.606)
Stock revaluation gains	(1.411.329)	(282.266)	(8.055.015)	(1.611.003)
Temporary differences in intangible fixed assets	(137.224)	(27.445)	-	-
Rediscount on payables	(83.718)	(16.743)	(46.144)	(9.228)
Gross deferred tax liabilities	**(9.380.174)**	**(1.876.035)**	**(16.174.187)**	**(3.234.837)**
Deferred tax assets				
Provisions for stock value impairment	16.571.830	3.314.366	-	-
Temporary differences in intangible fixed assets	7.725.187	1.545.037	7.881.708	1.576.340
Rediscount on receivables	3.553.682	710.736	503.469	100.694
Severance provisions	1.897.987	379.597	1.092.263	218.453
Provisions for warranty claims	963.314	192.663	2.033.681	406.736
Temporary differences in tangible fixed assets	409.334	81.867	84.013	16.803
Inventories	1.112.081	222.417	171.008	34.202
Provisions for Litigation	102.270	20.454	103.948	20.790
Doubtful receivables provisions	283.254	56.651	311.323	62.265
Business advances	28.097	5.619	28.097	5.619
Deposits and collaterals	24.821	4.964	24.821	4.964
Non-recognized financial losses	23.230.355	4.646.072	19.867.979	3.973.596
Gross deferred tax liabilities	**55.902.212**	**11.180.443**	**32.102.310**	**6.420.462**
Net deferred tax assets	**46.522.038**	**9.304.408**	**15.928.123**	**3.185.625**

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

	31.12.2011	31.12.2010
Balance as of January 1	**3.185.625**	**1.988.258**
Deferred taxes income/expense credited to income statement	6.118.783	1.197.367
Closing Balance	**9.304.408**	**3.185.625**

For the fiscal year ending December 31, 2011, the Group calculated deferred tax assets for deductible financial losses of 23,230,355 Turkish lira (December 31, 2010: 19,867,979 Turkish lira) shown on the consolidated financial statements prepared as per Capital Markets Board financial reporting standards.

As of December 31, 2011, maturities of these financial losses are as follows:

	31.12.2011	31.12.2010
2011	-	221.832
2012	823.548	1.591.945
2013	5.565.550	6.604.261
2014	5.868.470	6.006.703
2015	6.642.390	5.443.238
2016	4.330.397	-
Total	**23.230.355**	**19.867.979**

Deferred tax assets are reflected in the financial records to the extent that potential financial profit exists, benefiting all deductible temporary differences. As of December 31, 2011, the Group does not have any deductible financial losses for which any deferred tax assets can be calculated (December 31, 2010: 5,636,753 Turkish lira):

	31.12.2011	31.12.2010
2011	-	964.878
2012	-	-
2013	-	2.339.016
2014	-	291.799
2015	-	2.041.060
Total	**-**	**5.636.753**

Reconciliation of "tax expense" with "computed tax expense" (pretax profits multiplied by tax rate) is shown below:

	31.12.2011	31.12.2010
Pre-Tax Profit/Loss	**(32.043.149)**	**5.363.313**
Calculated tax expense (20%)	6.408.630	(1.072.663)
- Impact from non-deductible expenses and revenues	8.663	92.933
- 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	(298.510)	931.705
Tax Revenues/Expenses	**6.118.783**	**(48.025)**

Note 36 – Earnings per Share

As of December 31, 2011 and December 31, 2010, the "weighted average units of stock" and the "profit and loss per share" figures for the company's stock were calculated as follows:

	01.01-31.12.2011	01.01-31.12.2010
Earnings/loss per share from continuing operations:		
Parent company's share of net profit/loss from continuing operations for the reporting period	(26.171.540)	9.217.632
"Weighted average units of stock" with 1 Kr nominal value each	19.137.000.200	19.137.000.200
Earnings/loss per share from continuing operations (in Kr)	**(0,137)**	**0,048**
Earnings/loss per share:		
Profit/Loss for the Period	**(25.924.366)**	**5.315.288**
Year-end minority shareholder shares of net profit/loss (Note 27)	247.174	(3.902.344)
Year-end parent company's share of net profit/loss	(26.171.540)	9.217.632
"Weighted average units of stock" with 1 Kr nominal value each	19.137.000.200	19.137.000.200
Earnings/loss per share (in Kr)	**(0,137)**	**0,048**

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

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

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Note 37 – Related-Party Disclosures

A) Group's balances with related parties as of December 31, 2011, and December 31, 2010, are shown on the tables below:

	Trade Receivables	
	31.12.2011	31.12.2010
Ihlas Pazarlama A.Ş.	2.591.507	28.281.145
Ihlas Gazetecilik A.Ş.	122.007	-
Ihlas Fuar Hizmetleri A.Ş	121.797	-
Ihlas Haber Ajansı A.Ş.	72.750	14.901
Ihlas Finans Kurumu A.Ş. (in Liquidation)	22.792	-
Promaş Pro. Medya Rek. Ve Film Paz. Hiz. A.Ş.	7.823	1.814
Ihlas İletişim Hizmetleri A.Ş.	5.127	-
Kuzuluk Kaplıca Tur. A.Ş.	1.466	304
Ihlas Gelişim Yayıncılık A.Ş.	1.032	-
Ihlas Enerji Üretim Dağıtım ve Tic. A.Ş.	728	488
Detes Ltd.	728	122
Ihlas Holding A.Ş.	-	1.803.193
Total	**2.947.757**	**30.101.967**

	Advance payments for purchase	
	31.12.2011	31.12.2010
Ihlas Pazarlama A.Ş. (*)	-	21.000.000
Total	**-**	**21.000.000**

(*) 21,000,000 Turkish lira of this balance comprises advance payments for purchases made by Ihlas Madencilik, a Group company that is to purchase the 14th and the 17th sections of the Ihlas Holding Media Plaza, which 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.

	Trade Payables	
	31.12.2011	31.12.2010
Ihlas Pazarlama A.Ş.	472.620	156.735
Ihlas Genel Ant. Nk. Tic. A.Ş.	44.571	117.310
Şifa Yemek ve Gıda Üretim Tesisleri Tic. A.Ş.	41.074	-
Ihlas Pazarlama Yatırım Holding A.Ş.	16.426	13.154
Ihlas Holding A.Ş.	8.467	16.324
Ihlas Net Ltd. Şti.	3.869	981
Ihlas Gazetecilik A.Ş.	3.270	739.855
KPT Lojistik Taşımacılık Tur. Rek. Paz. İç ve Dış Tic. A.Ş.	739	-
TOTAL	591.036	1.044.359

	Advances received for purchase orders	
	31.12.2011	31.12.2010
Ihlas Holding A.Ş.	32.895	-
Total	32.895	-

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Benefits Provided to Key Personnel

Key personnel consists of those persons who have the authority and responsibility to plan, direct, and control the activities of the business entity, either directly or indirectly, including any directors (whether executive or non-executive) of the entity. There are two kinds of benefits offered to these individuals: 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 obligation to pay severance pay. These benefits are reported under the "Provisions on Employee Benefits" account.

The total short-term benefits provided to key personnel during the January 1, 2011 - December 31, 2011 fiscal year amounted to 614,247 Turkish lira (January 1, 2010 - December 31, 2010: 490.161 Turkish lira) and total severance payments made to key personnel during the January 1, 2011 - December 31, 2011 period amounted to 120,359 Turkish lira (January 1, 201 - December 31, 2010: 122,154 Turkish lira).

B) Purchases and sales between the Group and its related parties during the January 1, 2011 - December 31, 2011 and January 1, 2010 - December 31, 2010 fiscal years are as follows:

Purchases Made	01.01-31.12.2011	01.01-31.12.2010
Ihlas Genel Ant. Nk. Tic. A.Ş.	683.426	847.657
Ihlas Gazetecilik A.Ş.	485.855	645.166
Ihlas Holding A.Ş.	401.422	281.114
Şifa Yemek ve Gıda Üretim Tesisleri Tic. A.Ş.	237.022	-
Ihlas Pazarlama A.Ş.	145.132	70.062
KPT Lojistik Taşımacılık Tur. Rek. Paz. İç ve Dış Tic. A.Ş.	65.158	-
Ihlas net A.Ş.	22.317	22.719
Ihlas Pazarlama Yatırım Holding A.Ş.	14.455	11.310
Alternatif Medya Görsel İletişim Sis. Ltd. Şti.	5.439	-
İletişim Magazin A.Ş.	3.043	3.139
Ihlas Net Ltd. Şti.	336	-
Kuzuluk Kaplıca Tur. A.Ş.	65	378.424
TOTAL	2.063.670	2.259.591

Yapılan Satışlar	01.01-31.12.2011	01.01-31.12.2010
Ihlas Pazarlama AŞ.	63.058.069	59.049.424
Kuzuluk Kaplıca Tur. A.Ş.	5.215	956
Ihlas Genel Ant. Nk. Tic. A.Ş.	2.283	4.910
Ihlas Gazetecilik A.Ş.	216	-
Ihlas Holding A.Ş.	79	-
KPT Lojistik Taşımacılık Tur. Rek. Paz. İç ve Dış Tic. A.Ş.	67	-
Cyprus (T.R.N.C.) Branch	-	1.938
TOTAL	63.065.929	59.057.228

C) Interest, rent, and other invoices received from and paid to related parties during the January 1, 2011 - December 31, 2011 and January 1, 2010 - December 31, 2010 fiscal years are as follows:

Interest Invoices Issued and Received	01.01-31.12.2011	01.01-31.12.2010
Interest invoice issued to Ihlas Pazarlama A.Ş.	212.046	-
Interest invoice issued to Ihlas Fuar A.Ş.	5.889	-
Interest invoice issued to Ihlas Finans Kurumu A.Ş. (in Liquidation)	1.777	-
Interest invoice issued to Promaş Pro. Medya Rek. ve Film Paz. Hiz. A.Ş.	607	-
Interest invoice issued to Ihlas İletişim Hizmetleri A.Ş.	285	-
Interest invoice issued to Ihlas Gelişim Yayıncılık A.Ş.	49	-
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 Gazetecilik A.Ş.	36.901	27.886
Interest invoice received from Ihlas Holding A.Ş.	4.889	-
Interest invoice received from Ihlas Pazarlama A.Ş.	-	42.699

Rent Invoices Issued and Received	01.01-31.12.2011	01.01-31.12.2010
Rent invoices issued to Ihlas Gazetecilik A.Ş.	629.125	211.248
Rent invoices issued to Ihlas Haber Ajansı A.Ş.	224.371	152.520
Rent invoices issued to Ihlas Pazarlama A.Ş.	116.552	55.884
Rent invoices issued to Ihlas Fuar A.Ş.	98.175	-
Rent invoices issued to Ihlas Finans Kurumu A.Ş. (In Liquidation)	30.250	-
Rent invoices issued to Ihlas Holding A.Ş.	15.304	-
Rent invoices issued to Promaş Pro. Medya Rek. ve Film Paz. Hiz.	13.675	10.829
Rent invoices issued to Ihlas İletişim Hizmetleri A.Ş.	5.575	-
Rent invoices issued to Ihlas Enerji A.Ş.	2.244	4.992
Rent invoices issued to Detes Maden Ltd.	2.244	1.248
Rent invoices issued to Ihlas Gelişim Yayıncılık A.Ş.	825	
Rent invoices issued to TGRT Digital TV A.Ş.	-	7.735
Rent invoices received from Ihlas Gazetecilik A.Ş.	1.800	9.205
Rent invoices received from Ihlas Holding A.Ş.	1.800	
Rent invoices received from Ihlas Pazarlama A.Ş.	-	650

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Note 38 – Nature and Extent of Risks Arising from Financial Instruments

As of December 31, 2011 and December 31, 2010, the book values of financial assets and liabilities denominated in foreign currencies before consolidation adjustments are as follows:

	31.12.2011	31.12.2010
A. Assets in foreign currency	13.274.103	6.911.056
B. Liabilities in foreign currency	36.466.663	26.893.249
Net foreign exchange position (A-B)	(23.192.560)	(19.982.193)

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31.12.2011

FOREIGN EXCHANGE POSITION TABLE	TL Equivalent	USD	EUR	CHF	GBP	SEK
1. Trade Receivables	445.029	46.469	146.187	-	-	-
2a. Monetary financial assets	1.354	687	23	-	-	-
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	12.827.720	527.053	4.841.710	-	-	-
4. Current assets (1+2+3)	13.274.103	574.209	4.987.920	-	-	-
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)	13.274.103	574.209	4.987.920	-	-	-
10. Trade payables	36.398.362	3.845.155	11.921.903	250	-	-
11. Financial liabilities	1.759	-	720	-	-	-
12a. Other monetary liabilities	-	-	-	-	-	-
12b. Other non-monetary liabilities	66.542	35.228	-	-	-	-
13. Short-term liabilities (10+11+12)	36.466.663	3.880.383	11.922.623	250	-	-
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)	36.466.663	3.880.383	11.922.623	250	-	-
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)	(23.192.560)	(3.306.174)	(6.934.703)	(250)	-	-
21. Monetary items net assets/(liabilities) position (l+2a+5+6a-10-ll-12a-14-15-16a)	(35.953.738)	(3.797.999)	(11.776.413)	(250)	-	-
22. Total fair value of financial instruments used for foreign exchange hedge	-	-	-	-	-	-
23. Hedged foreign exchange assets	-	-	-	-	-	-
24. Hedged foreign exchange liabilities	-	-	-	-	-	-
25. Exports	14.034.341	4.783.950	2.587.019	-	-	-
26. Imports	33.348.523	2.555.448	12.575.237	-	-	-

31.12.2010

FOREIGN EXCHANGE POSITION TABLE	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. Monetary items net assets/liabilities position (l+2a+5+6a-10-ll-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	-

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As of December 31, 2011 and December 31, 2010, the rate of hedging for 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 Note 9 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 senior management. During these analyses, the senior management evaluates the risks associated with each class of capital, as well as the capital costs, and presents the risks requiring a board resolution 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 on taking advantage of sourcing alternatives in new liabilities, debt reduction, or capital increases. The Group's new overall strategy differs somewhat from the previous year's.

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 liabilities, including short- and long-term debt, trade, and other payables reported on the balance sheet.

	31.12.2011	31.12.2010
Total payables	82.347.705	57.900.983
Less: Cash and Cash Equivalents (Note 6)	(470.744)	(40.183.783)
Net Liability	81.876.961	17.717.200
Total Shareholders' Equity	203.455.110	231.487.629
Net debt-to-equity ratio	**40 %**	**8 %**

b) Material Accounting Policies

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

c) Financial Risk Management Goals

Currently, no risk management model or 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 (see paragraph E below) and interest rates (see 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 due to the fact that price fluctuations in raw material inventories affect sales prices. Currently, there are no derivative instruments used to 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, 2011, if the Turkish lira rates were lowered by 10 percent against both the dollar and the euro while all other variables remained constant, a net 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 2,319,256 Turkish lira (December 31, 2010: less net year-end loss of 1,998,219 Turkish lira). The Group's hedging of exchange risk and foreign currency liability is discussed in Note 38.

	31.12.2011 Profit/Loss		31.12.2010 Profit/Loss	
Exchange Rate Sensitivity Analysis Table	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	(624.503)	624.503	(779.026)	779.026
2- USD rate protected portion (-)	0	0	0	0
3- USD net effect (1+2)	**(624.503)**	**624.503**	**(779.026)**	**779.026**
10% change in EUR rate:				
4- EUR net assets/liabilities	(1.694.703)	1.694.703	(1.219.151)	1.219.151
5- EUR rate protected portion (-)	0	0	0	0
6- EUR net effect (4+5)	**(1.694.703)**	**1.694.703**	**(1.219.151)**	**1.219.151**
10% change in other exchange rates:				
7- Other foreign exchange net assets/liabilities	(50)	50	(42)	42
8- Other exchange rate protected portion (-)	0	0	0	0
9- Other foreign exchange assets net effect (7+8)	**(50)**	**50**	**(42)**	**42**
TOTAL (3+6+9)	**(2.319.256)**	**2.319.256**	**(1.998.219)**	**1.998.219**

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		31.12.2011	31.12.2010
Fixed Rate Financial Instruments			
Financial Assets	Financial assets with fair value differences not reflected in profit/loss	27.606	47.080.224
Financial Assets	Available-for-Sale Financial Assets	-	-
Financial Liabilities		61.377	11.399.658
Variable Interest Financial Instruments			
Financial Assets		-	-
Financial Liabilities		28.899.098	7.437.400

As of December 31, 2011, if the base interest rate increased by 100 points, or 1 percent, while all other variables remained constant, the net interest income and net interest income before taxes would not change due to modifications in interest amounts related to fixed- and variable-rate financial instruments. (December 31, 2010: higher net period loss of 2,553 Turkish lira).

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

	31.12.2011 Profit/Loss		31.12.2010 Profit/Loss	
Interest Rate Sensitivity Analysis Table	Basis Point Increase	Basis Point Increase	Basis Point Increase	Basis Point Increase
100 (1%) Basis Points Change:				
TL	-	-	5.221	(5.221)
USD	-	-	(854)	854
EUR	-	-	(1.814)	1.814
Total Effect of Fixed Rate Financial Instruments	**-**	**-**	**2.553**	**(2.553)**
100 (1%) Basis Points Change:				
TL	-	-	-	-
USD	-	-	-	-
EUR	-	-	-	-
Total Effect of Variable Interest Financial Instruments	**-**	**-**	**-**	**-**
TOTAL	**-**	**-**	**2.553**	**(2.553)**

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.

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							31.12.2011
	Receivables						
	Trade Receivables		Other Receivables				
Credit Risk Exposure by Types of Financial Instruments:	Related Party	Other Party	Related Party	Other Party	Bank Deposits	Derivative Instruments	Other
Maximum credit exposure as of the reporting date (A+B+C+D+E) (1)	**2.947.757**	**60.860.799**	**-**	**1.130.371**	**357.642**	**-**	**43.744.460**
Secured portion of maximum exposure	18.890.000	-	-	-	-	-	-
A. Net book value of financial assets that are non-past due or unimpaired (2)	2.947.757	60.860.799	-	1.130.371	357.642	-	113.102
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)	-	-	-	-	-	-	-
- Secured portion of net book value by guarantees, etc.	-	-	-	-	-	-	-
D. Net book value of impaired assets (4)	-	-	-	-	-	-	43.631.358(*)
- Past due (gross book value)	-	3.254.340	-	255.054	-	-	-
- Impairment (-)	-	(3.254.340)	-	(255.054)	-	-	-
- Secured portion of net book value by guarantees, etc.	-	-	-	-	-	-	-
- Non-past due (gross book value)	-	-	-	-	-	-	58.936.619
- Impairment/revaluation (-)	-	-	-	-	-	-	(15.305.261)
- Secured portion of net book value by guarantees, etc.	-	-	-	-	-	-	-
E. Activities which give rise to off-balance sheet credit risk	-	-	-	-	-	-	-

(*) This amount is related to stocks (see Note 7 for details).

(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, 2011, the aging analysis of past due but unimpaired financial assets is shown below:

31.12.2011 tarihi itibariyle vadesi geçmiş ancak değer düşüklüğüne uğramamış finansal varlıklara ilişkin yaşlandırma analizi aşağıdaki gibidir:

	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	-	-	-	-	-
Past due for over 5 years	-	-	-	-	-
Portion secured by guarantees, etc.	-	-	-	-	-

(4) As of December 31, 2011, the aging analysis of past due and impaired financial assets is shown below:

	Past Due Amount	Receivables Provisions Set Aside for Receivables
Past due for 1-30 days	-	-
Past due for 1-3 months	-	-
Past due for 3-12 months	-	-
Past due for 1-5 years	3.254.340	(3.254.340)
Past due for over 5 years	-	-
TOTAL	**3.254.340**	**(3.254.340)**
Portion secured by guarantees, etc.	-	-

There are several ways a receivable may be evaluated as doubtful: a) History of uncollected receivables from prior years, b) the debtor's ability to pay, or c) extraordinary circumstances in the industry or in the current economic environment.

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							31.12.2011
	Trade Receivables		Receivables Trade Receivables				
Credit Risk Exposure by Types of Financial Instruments:	Related Party	Other Party	Related Party	Other Party	Bank Deposits	Derivative Instruments	Other
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 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. Activities which give rise to off-balance sheet credit risk	-	-	-	-	-	-	-

(*) This amount is related to stocks (see Note 7 for details).

(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, 2010, the aging analysis of past due but unimpaired financial assets is shown below:

		Receivables			
	Trade 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:

	Vadesi Geçmiş Tutar	Alacaklar Ayrılan Karşılık
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.	-	-

(4There are several ways a receivable may be evaluated as doubtful: a) history of uncollected receivables from prior years, b) the debtor's ability to pay, or c) extraordinary circumstances in the industry or in the current economic environment.

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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.

					31.12.2011
Contractual Maturities	Book Value	Total Contractual Cash Outflows	Less than 3 Months	3-12 months	1 to 5 Years
Non-derivative financial liabilities	32.981.527	33.067.295	10.482.601	20.238.288	2.346.406
Bank loans	59.618	59.618	59.618	-	-
Finance leasing liabilities	1.759	1.759	1.759	-	-
Trade payables (*)	27.069.912	27.155.680	9.404.618	17.751.062	-
Other payables and liabilities (**)	5.850.238	5.850.238	1.016.606	2.487.226	2.346.406

Expected Maturities	Book Value	Expected Cash Outflow Total	Less than 3 Months	3-12 months	1 to 5 Years
Non-derivative financial liabilities	45.592.156	45.594.835	703.150	43.826.101	1.065.584
Bank loans	28.899.098	28.899.098	-	28.899.098	-
Finance leasing liabilities	-	-	-	-	-
Trade payables (***)	14.926.490	14.926.490	-	14.926.490	-
Other payables and liabilities	1.766.568	1.769.247	703.150	513	1.065.584

Expected (or Contractual) Maturities	Book Value	Contractual or Expected Cash Outflows Total	Less than 3 Months	3-12 months	1 to 5 Years
Derivative cash inflows	-	-	-	-	-
Derivative cash outflows	-	-	-	-	-

(*) Since the Turkish Commercial Code considers promissory notes contracts that link two parties, payables-related promissory notes are monitored in this group; intra-company eliminations within the group are taken into account.

(**) Liabilities with legally binding due dates — such as tax provisions, deferred taxes, taxes due, or 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.

					31.12.2011
Contractual Maturities	Book Value	Total Contractual Cash Outflows	Less than 3 Months	3-12 months	1 to 5 Years
Non-derivative financial liabilities	25.863.473	25.920.678	20.056.068	5.864.610	-
Bank loans	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	Total Contractual Cash Outflows	Less than 3 Months	3-12 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 loans	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	3-12 months	1 to 5 Years
Derivative Cash Inflow	-	-	-	-	-
Derivative Cash Outflow	-	-	-	-	-

(*) Since the Turkish Commercial Code considers promissory notes contracts that link two parties, payables-related promissory notes are monitored in this group; intra-company eliminations within the group are taken into account.

(**) Liabilities with legally binding due dates — such as tax provisions, deferred taxes, taxes due, or 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.

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g) 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).

Note 40 - Events After the Reporting Period

a) Stocks Held for Trading Purposes

On January 31, 2012, the Company purchased 1,450,000 shares of Ihlas Madencilik that were traded within the price range of 3.39 - 3.42 on the ISE.

After the balance sheet date, the Company has purchased 1,765,753 Ihlas Holding shares at a price of 1.01 Turkish lira/share, 250,000 at a price of 1.05 Turkish lira/share, and 500,000 at a price of 1.07 Turkish lira/share.

b) Approval of Financial Statements

The Board of Directors approved the financial statements dated December 31, 2011 and authorized their publication on March 20, 2012. Only the General Shareholders' Meeting is authorized to adjust financial statements once published by 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 MADENCİLİK A.Ş.

Capital Structure and Area of Activity

As of December 31, 2011, the capital of Ihlas Madencilik A.Ş. is 79,542,538 TL.

As of December 31, 2011, the partnership structure of the Company is as follows:

Shareholder	Share Amount	Share (%)
Ihlas Ev Aletleri Imalat San. ve Tic. A.Ş.	50,888,110	63.98
Ihlas Holding A.Ş.	7,755,018	9.75
Free Float	20,899,410	26.27
Total	**79,542,538**	**100.00**

The registered capital ceiling of the Company was increased to 150,000,000 Turkish lira from 18,000,000 Turkish lira as per the resolution of the Ordinary General Shareholders' Meeting dated May 27, 2009, and amendment to the Articles of Association of the Company, in accordance with the letter of approval of the Capital Markets Board (No. B.02.1.SPK.0.13-499-4644 dated April 8, 2009), and with the authorization of the Ministry of Industry and Technology General Directorate of Domestic Trade (No. B.14.0.İ TG.0.10.00.01/401.01.02-29646-46270-2016 dated April 10, 2009).

At the meeting of the Board of Directors of the Company — held on January 26, 2011 — the Board of Directors passed a resolution for the merger of Ihlas Madencilik A.Ş., the main partner of the Company (a company which ceases to exist following its transfer and that shall hereby be known as "Transferred Company"). The resolution was passed in accordance with Article 451 and other relevant articles of the Turkish Commercial Code and with Articles 19 and 20 of the Corporate Tax Law as well as with the rules and regulations of the Capital Markets Board based on the financial statements dated December 31, 2010, and with the understanding that all assets and liabilities of the Transferred Company be transferred universally and completely to the Company, that the necessary legal procedures be launched, and an application be made to the Capital Markets Board.

The merger of the two companies by way of the Company taking over its main partner in accordance with the provisions of the laws mentioned above was discussed and approved during meeting No. 10/324 of the Capital Markets Board held on April 1, 2011. Following the approval of the Capital Markets Board, the General Shareholders' Meeting, during which the required legal procedures were fulfilled and the merger and merger agreement were approved, took place on May 7, 2011.

The share exchange rate for the merger procedures whereby the Company would take over the Transferred Company in accordance with the Capital Market Legislation, with Article 451 of the Turkish Commercial Code, and with Articles 19 and 20 of the Corporate Tax Law was set to 1.017565, and the issued capital of the Company — which stood at 36,000,000 Turkish lira within the registered capital ceiling of 150,000,000 Turkish lira — was first reduced technically by 12,423,533 Turkish lira and later increased to 79,542,538 Turkish lira with a rise of 55,966,071 Turkish lira.

The Company's shares are traded on the ISE.

Area of Activity

The areas of activity of the Company, as stated in the Articles of Association, are as follows:

• To carry out necessary activities for the extraction, enrichment, transportation, and transformation for the production and consumption of various soils, metals, and mineral ores – boron ore in particular – that are used in different sectors of the industry.

• To establish, run (either alone or jointly), rent, lease, transfer, and sell mines and stone quarries, plants, factories, workshops and warehouses, points of sale, and displays.

• To carry out import and export operations or to act as broker, dealer, or agency in its area of activity.

• To act as commercial representative, authorized commercial representative, agency, broker, or advisor for local and international and real and legal persons.

• To establish gas stations, warehouses; run (either alone or jointly), rent, sell, and purchase fuel tankers.

• To offer technical consultancy services in the chemicals industry and in other lines of activity mentioned in the Articles of Association.

Metals and Minerals

The basis and procedures for mine exploration, operation, ownership, and abandonment are regulated by Turkish Mining Law No. 3213, which was amended by Law No. 5177 ("Amendment to Turkish Mining Law No. 3213 and Other Laws") on June 5, 2004. One of the important articles of this law is Article 14, which is entitled "State Rights and Local Administration's Share." Article 14 states that:

"State rights to be accrued over produced minerals will be 4 percent of the ex-mine sales amount for the 1st Group and 5th Group minerals and for any kinds of construction materials used in any type of construction such as cover stone, rough construction work, dams, ponds, seaports, and roads. This rate will be 2 percent in other groups of minerals. Ex-mine sales price declared by the licensee is examined by the Ministry, which assures that incomplete declarations are corrected. State rights will be collected by plus 30 percent over the mining activities conducted in fields which are in the proprietorship of the Treasury or under the sovereignty and disposition of the State."

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

This industrial branch processes metals specified in Article 2 of the Turkish 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.

The licensed mining fields of the Company can be divided into three main groups: metallic mines, energy raw materials, and industrial raw materials. The Company extracts gold at 39 locations; chrome at 9 locations; coal at 21 locations; copper at 17 locations and zinc-lead at 28 locations; and various industrial raw materials (gypsum, manganese, peat, kaolinite and marble) at a total of 87 locations. The Company has 87 licenses across the country: Two exploration licenses and 85 operating licenses. In addition, the Company has submitted operating projects for 45 locations.

According to the Valuation Report prepared by ADAY Bağımsız Denetim ve SMMM A.Ş. on September 30, 2011:

Results of Discounted Cash Flow Analysis

Total market capitalization 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:

Ihlas Mining Activities Reduced Cash Flow	331,499,851
Value of Zinc and Lead Production Operations (99%)	57,955,662
Ihlas Mining Activities Cash Flow Total	389,455,513
Ihlas Madencilik Current Assets	3,746,299
Ihlas Madencilik Short-Term Liabilities	(1,888,110)
Company's Total Market Capitalization	391,313,702

As a result of the operations shown above, the total market capitalization of the Company was calculated to be $391,313,702, according to a reduction rate of 9.86 percent, as of September 30, 2011.

İhlas
Ev Aletleri

İHLAS EV ALETLERİ ANNUAL REPORT 2011

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