İHLAS EV ALETLERİ **ANNUAL REPORT 2012**


Make Time For Love!

İhlas Ev Aletleri makes life easier with continuously changing and evolving technologies. We offer you a healthy, clean and sustainable life, as well as more time in your hands thanks to our advanced use of available technologies. Use the extra time to make the best of life. Have more love, friendship and sharing in your life.


ihlas


A
B
C

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Make Time For Family !

aura

Cleanmax


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Message from the Chairman

Esteemed stakeholders, shareholders and colleagues,

Despite all the uncertainties globally and efforts to cool the domestic economy in 2012, we were able to increase our turnover and profitability by increasing exports by 23 percent compared to the previous year.

We intend to increase exports by a further 50 percent in 2013. Our priority is the African market. We hope to achieve this goal through participating in events, visiting countries, and searching for new markets.

As a result of multiphase tests carried out over the past three years, our Reverse Osmosis Water Treatment system received certification from the National Sanitation Foundation in 2012.

The NSF certificate confirms that all components and raw materials of the product are safe and suitable for human use. This certificate is very important in confirming the quality and reliability of a water treatment system as well as the level of importance placed on the consumer's safety.

Another development that excited us in 2012 was that the Scientific and Technological Research Council of Turkey (TUBITAK) found the innovative, economic, efficient, and quiet cleaning robot (designed and engineered by our R&D Department) worthy of support. We aim to commercialize this project and put it on the market in 2013.

Every day, expectations regarding social responsibility and environmental awareness are increasing. It has become more and more important to address both corporate governance and sustainable development together and to report all developments related to sustainability to all stakeholders and shareholders. We are improving our learning process in this field and establishing visions and strategies throughout the company regarding sustainable development.
Sincerely,

Abdullah Turalı
Chairman of the Board of Directors


Make
Time For
Friendship !

Board Members

Abdullah Turalı

Chairman

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

Abdullah Turalı was born in Kırklareli in 1956. After graduating from Istanbul Vefa High School, he received a Bachelor's Degree in Faculty of Economics at Istanbul University in 1982. He worked at the Istanbul Branch Office of the Turkish Employment Institution under the Ministry of Labor from 1977 to 1982.

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

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

Sedat Kurucan

Vice Chairman and Chief Executive Officer

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

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

Mehmet Küsmez

Board Member

Chief Financial Officer

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

Mehmet Küsmez was born in Karabük in 1970. He completed his primary, secondary and high school education in Karabük and graduated from the Karabük Demir Çelik High School in 1987. He received a Bachelor's Degree in the Department of Finance and Accounting, Faculty of Business Administration at the Anadolu University. Mehmet Küsmez began working in the Sirkeci Sales and Distribution Office of Türkiye Gazetesi in 1988. He has been working in middle and senior management positions in the accounting, finance, and planning departments at İhlas Ev Aletleri A.Ş. since 1990.

He has also been Board member and the Chief Executive Officer since 2004. He is married with two children.

H. Alev Volkan

Board Member

Corporate Governance Committee Member

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

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

and the Capital Markets Law Compliance and Corporate Governance Applications Director at İhlas Holding A.Ş.

Ahmet Olgun

Independent Board Member

Corporate Governance Committee Chairman

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

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

Salman Çiftçi

Independent Board Member

Audit Committee Chairman

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

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

He officiated as Director of Finance at the foreign-partnered JFK Hospital in 2004. Mr. Çiftçi took his current office as the Group Accounting Manager at the German Hospitals Group, also a foreign-partnered institution, in 2001. Salman Çiftçi is a certified independent accountant and financial advisor. He holds certificates related to the new Turkish Commercial Code and SME IFRS. Mr. Çiftçi is married with two children.

Tolga Sönmez

Independent Board Member - Audit Committee Member

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

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

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

Senior Management

Sedat Kurucan

Chief Executive Officer

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

Ömer Şaban Kamber, Assistant Professor

Technical Department Supervisor

Ömer Kamber was born in Siirt in 1965. He completed his primary education in Tarsus, followed by the Istanbul Gedikpaşa Middle School and the Department of Lathe-Leveling at the Istanbul Kadırga Industrial Vocational High School.

He received a Bachelor's Degree in Mechanical Engineering at Istanbul Technical University in 1989. Kamber also received a Master's Degree and completed his doctorate in plastic injection molds at Marmara University in 2008.

He published numerous scientific studies and international articles. Kamber has been serving as engineer-in-charge in the senior management of the technical department in various units of İhlas Ev Aletleri A.Ş. for 18 years. Also lecturing at Marmara University, he is currently officiating as Technical Department Supervisor at İhlas Ev Aletleri A.Ş. He is married with two children and speaks English, as well as basic Macedonian.

Mehmet Küsmez

Accounting and Finance Supervisor

Mehmet Küsmez was born in Karabük in 1970. He completed his primary, secondary and high school education in Karabük and graduated from the Karabük Demir Çelik High School in 1987.

He received a Bachelor's Degree in Accounting and Finance from Anadolu University School of Business Administration. Mehmet Küsmez began working in the Türkiye Gazetesi Sirkeci Sales and Distri-

bution Office in 1988.
He has been serving in middle and senior management positions in the Accounting, Finance, and Planning departments at Ev Aletleri A.Ş. since 1990. He has also been performing as a Board Member and the Chief Executive Officer in Charge of Financial Affairs since 2004. He is married with two children.

Bülent Kaya

Supply Department Supervisor

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

Erkan Adıgüzel

Operations Supervisor

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

Cengiz Baday

Quality Department Supervisor

Born in Istanbul in 1970, Cengiz Baday completed his primary, secondary and high school education in the same city and graduated from Avcılar 50.Yıl İnsa High School. He received a Bachelor's Degree in Electrical Engineering in the Faculty of Engineering at Yıldız Technical University in 1992. Mr. Baday worked at Aksan Elektrikli Ev Aletleri and at Ütüsan/Zass Elektrikli Ev Aletleri companies as quality engineer and quality manager, respectively, from 1992 to 1998. He has been officiating as the Quality Department Supervisor at İhlas Ev Aletleri since 1998. He is married with one child and speaks fluent English.

Mehmet Ercan Akgün

Department Supervisor for Materials and Customer Management

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

Mustafa Salih Yazıcı

Department Supervisor for Administrative Affairs and Human Resources

Mustafa Salih Yazıcı was born in 1965. He completed his primary through high school education in Samsun. He received a Bachelor's Degree in Public Administration at Hacettepe University in 1987 and completed his Master's Degree on Innovations in Public Institutions at Gazi University.
He quited his doctorate program at Hacettepe University to work on the establishment of the Türkiye Gazetesi Samsun Printing Facility in 1993. He officiated as research associate in the Public Administration Department of Hacettepe University while continuing his education between 1988 and 1993.
Mr. Yazıcı held various offices at the Samsun Branch and at the Istanbul General Directorate of İhlas Finans Kurumu A.Ş. from 1996 to 2002. He was General Manager for the TGRT TV Human Resources and Training departments from 2002 to 2005.
He has been officiating as Human Resources Department Manager and Representative at İhlas Ev Aletleri since October 2005. He is married with one child and speaks fluent English.

Make Time For Life !

aura

Cebilon


aura
compact
Cebilon
Reverse Osmosis
System
aura
compact
Cebilon
Reverse Osmosis
System

Report of the Board of Directors

Dear Shareholders,

First, we would like to extend our greetings to our esteemed partners, their proxies, and the honorary participants of our Ordinary General Shareholders Meeting. We now present, for your examination and approval, the Board of Directors and Auditors Reports as well as the Consolidated Financial Statement for 2012, our company's 18th fiscal year. These financial statements have been prepared according to the Communiqué on Accounting Standards in Capital Markets (Serial XI, No. 29) of the Capital Markets Board (CMB).

We have examined the 2012 Annual Report and the Consolidated Financial Statement and footnotes of Ihlas Ev Aletleri Imalat Sanayi ve Ticaret A.Ş., as of December 31, 2012, prepared according to the Communiqué on Accounting Standards in Capital Markets (Serial XI, No. 29) of the CMB. We hereby declare that the financial statements and footnotes included in the Annual Report reflect the financial status of the company in full compliance with legislation.

Despite the economic crisis continuing in Europe, the uncertainties in the financial markets, the intense competition in the market, and increasing costs, a profit of 20,292,048 Turkish lira has been entered in the 2012 consolidated financial statements.

Despite all the uncertainties globally and efforts to cool the domestic economy in 2012, we were able to increase our turnover and profitability by increasing exports by 23 percent compared to the previous year.

We intend to increase exports by a further 50 percent in 2013. Our priority is the African market. We hope to achieve this goal through participating in events, visiting countries, and searching for new markets.

As a result of multiphase tests carried out over the past three years, our Reverse Osmosis Water Treatment system received certification from the National Sanitation Foundation in 2012.

The NSF certificate confirms that all components and raw materials of the product are safe and suitable for human use. This certificate is very important in confirming the quality and reliability of a water treatment system as well as the level of importance placed on the consumer's safety.

Another development that excited us in 2012 was that the Scientific and Technological Research Council of Turkey (TUBITAK) found the innovative, economic, efficient, and quiet cleaning robot (designed and engineered by our R&D Department) worthy of support. We aim to commercialize this project and put it on the market in 2013.

Every day, expectations regarding social responsibility and environmental awareness are increasing. It has become more and more important to address both corporate governance and sustainable development together and to report all developments related to sustainability to all stakeholders and shareholders. We are improving our learning process in this field and establishing visions and strategies throughout the company regarding sustainable development.

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

JCR Avrasya Derecelendirme A.Ş. evaluated the Corporate Governance practices of IHEVA within the scope of CMB regulations and announced results to the public with a press bulletin dated September 27, 2012. In the report the level of conformance to principles was determined as being 7.68 out of 10 and with a stable outlook. As a result of scoring above the threshold score of 7 points out of 10 for Compliance with Corporate Governance Principles, our Company will remain in the ISE Corporate Management Index.

The summarized report regarding the common and sustained transactions carried out with the related parties, according to Article 5 of the Capital Markets Board Communiqué Serial IV, No. 41, is included in the annual report.

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

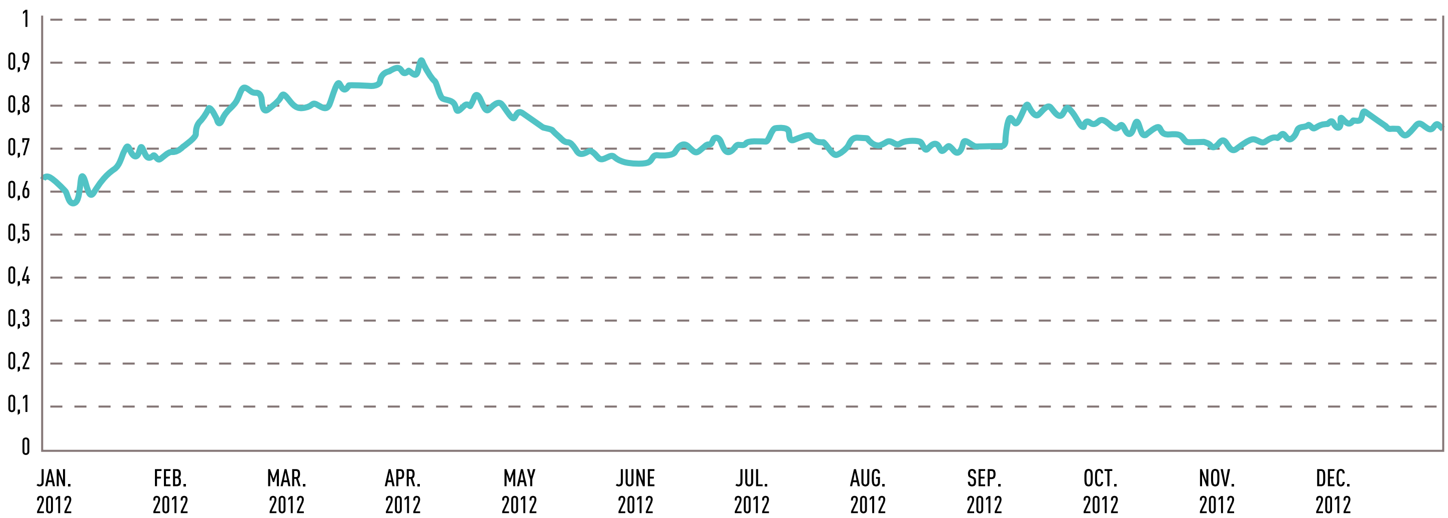
Sincerely,

Board of Directors

January 1 - December 31, 2012 period; (TL)	Home Appliances	Mining and Energy	Group Total
Sales Income (net)	100.789.333	751.027	101.540.360
Cost of Sales (-)	(88.695.116)	(1.577.257)	(90.272.373)
Gross Profit / Loss	**12.094.217**	**(826.230)**	**11.267.987**
Operating Expenses	(9.633.902)	(3.473.846)	(13.107.748)
Other Activities Income and Profits	42.024.467	1.240.541	43.265.008
Other Activities Expenses and Losses (-)	(10.449.134)	(2.122.361)	(12.571.495)
Operational Profit / (Loss)	**34.035.648**	**(5.181.896)**	**28.853.752**
Financial Income / (Cost), net	(3.926.111)	(1.327.801)	(5.253.912)
Gross Profit / Loss of On-Going Activities	**30.109.537**	**(6.509.697)**	**23.599.840**
Total Assets	**250.253.882**	**53.968.816**	**304.222.698**
Total Liabilities	**79.494.194**	**6.601.805**	**86.095.999**

January 1 - December 31, 2011 period; (TL)	Home Appliances	Mining and Energy	Group Total
Sales Income (net)	98.360.388	1.148.152	99.508.540
Cost of Sales (-)	(91.778.333)	(1.029.511)	(92.807.844)
Gross Profit / Loss	**6.582.055**	**118.641**	**6.700.696**
Operating Expenses	(10.024.448)	(3.049.664)	(13.074.112)
Other Activities Income and Profits	8.520.569	4.462.807	12.983.376
Other Activities Expenses and Losses (-)	(33.366.074)	(991.856)	(34.357.930)
Operational Profit / (Loss)	**(28.287.898)**	**539.928**	**(27.747.970)**
Financial Income / (Cost), net	(4.500.773)	205.594	(4.295.179)
Gross Profit / Loss of On-Going Activities	**(32.788.671)**	**745.522**	**(32.043.149)**
Total Assets	**221.837.532**	**63.965.283**	**285.802.815**
Total Liabilities	**75.304.649**	**7.043.056**	**82.347.705**

IHEVA İMKB Performance



About IHEVA

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

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

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

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

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

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

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

Founded 55 years ago, the NSF is an independent, non-profit testing and certification institution that sets standards for a series of home and industrial products. This institution has been designated as a Collaborating Center by the World Health Organization (WHO) for drinking water safety and treatment. Moreover, to confirm the company's reliability and competency in water treatment, IHEVA has applied for membership to the U.S.-based Water Quality Association, which represents companies active in the water treatment industry. The Water Quality Association is an international authority in providing information, education, and product testing.

Furthermore, IHEVA has increased its exports by 23 percent in 2012. With this export performance it has exceeded the threshold of an annual export total of $10 million. IHEVA products are sold in a total of 34 countries including Kazakhstan, Poland, Germany, Hungary, Malaysia, Uzbekistan, Saudi Arabia, Russia, Greece, Italy, South Africa, South Korea, Hong Kong. The regional distribution of 2012 international sales is 62 percent to Turkic Nations, 20 percent to EU nations, and 18 percent to all others.

In 2013, IHEVA is aiming for a much higher growth in exports than the 23 percent achieved in 2012. Participation in international exhibitions and country visits for market research will continue in 2013. The primary target markets are in Africa.

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

IHEVA's stocks have been listed and traded on the ISE since September 26, 1996. As of 2012 year-end, 74.83 percent of IHEVA's capital was floating freely. IHEVA's stock began trading on the ISE National 100 Index on October 1, 2007 and the Company has been included in the ISE Corporate Governance Index since December 29, 2010.

JCR Avrasya Derecelendirme A.Ş. evaluated the Corporate Governance practices of IHEVA within the scope of CMB regulations and announced results to the public with a press bulletin dated September 27, 2012. In the report the level of conformance to principles was determined as being 7.68 out of 10 and with a stable outlook.

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

IHEVA placed 495th on the list of "Second 500 Largest Companies of 2011" prepared by the Istanbul Chamber of Industry.

The Scientific and Technological Research Council of Turkey (TÜBİTAK) found the innovative, economic, efficient, and quiet cleaning robot project designed and engineered by our R&D Department suitable for its support. We aim to commercialize this project and put it on the market in 2013.

With a corporate governance approach, IHEVA strives to be a sustainable industrial company that fulfills the responsibilities of a 21st century company. IHEVA aims to be the market leader for all of its products. One of the Company's most important targets is to become one of Turkey's leading industrial organizations, with proven customer satisfaction in quality and speed, as well to make a difference in design, production, marketing, and after sales service.


Always with
us through
the years !

aura

Q Vac


aura
QVac

Make Time For Loved Ones !

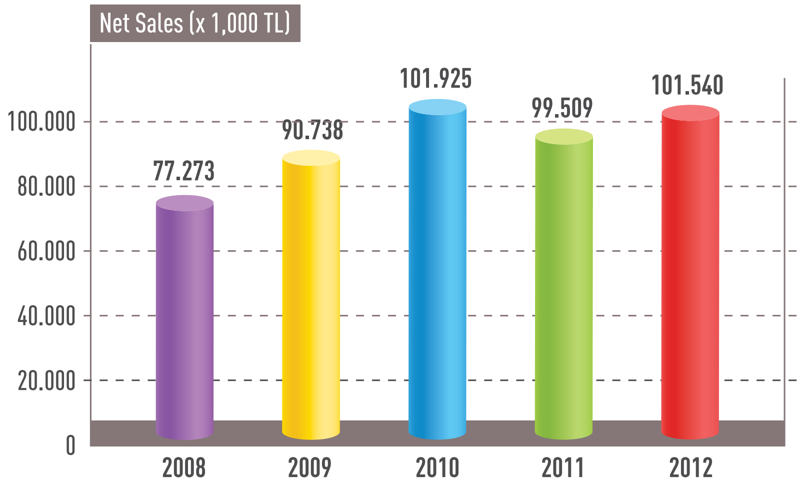
Brand and Standard Compliance Certificates

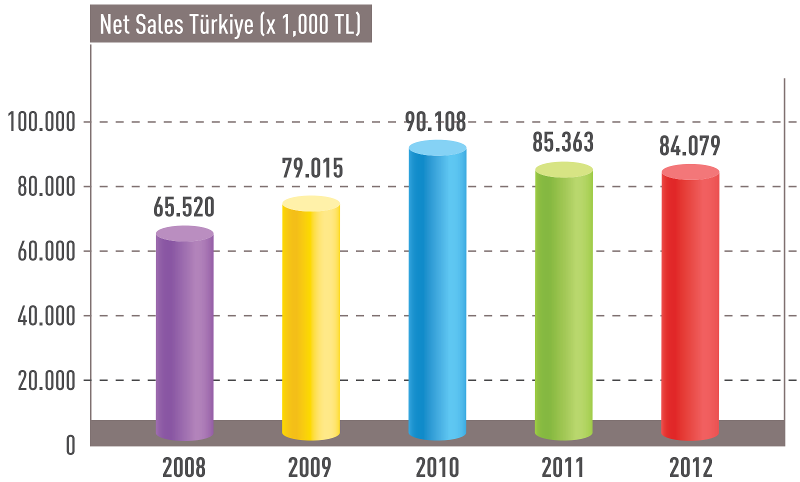
Cebilon | Cleanmax | roboclean | halley | microControl

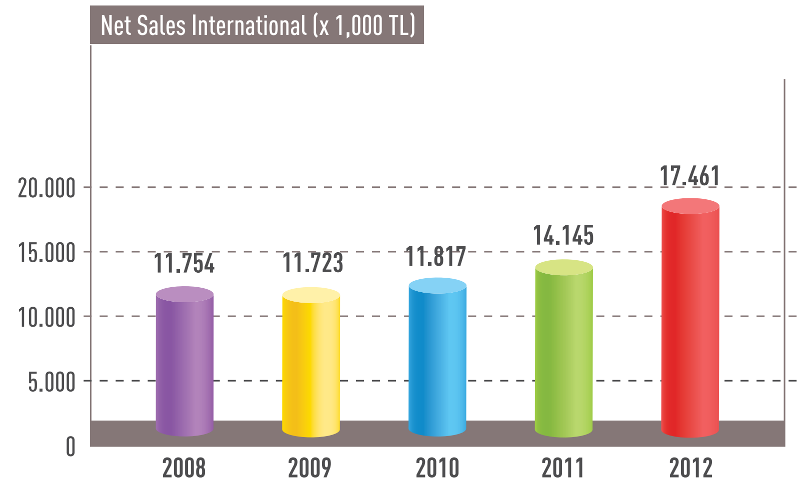
QVac | Wdry | magneticControl

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

Financial Indicators







Data (x 1,000 TL)	2012	2011
Net Sales	101.540	99.509
Gross Profit	11.268	6.701
Operating Profit	28.854	(27.748)
Reporting Period Profit/Loss	17.631	(25.924)
Total Assets	304.223	285.803
Current Assets	209.417	164.268
Fixed Assets	94.806	121.535
Short-Term Liabilities	78.499	75.162
Long-Term Liabilities	7.597	7.186
Equities	218.127	203.455

Liquidity Ratios (%)		
Current Ratio (%)	2,67	2,19
Liquidity Ratio (%)	2,1	1,45

Profitability Ratios (%)		
Gross Profit Margin	11,10	6,73
Operating Profit Margin	28,42	-

Operating Ratios (%)		
Average Debt Collection Period	226	216
Age of Inventory	154	128

Financial Ratios (%)		
Bank Credit/Total Debt	0,46	0,35
Equity Capital/Total Assets	0,72	0,71
Financial Leverage Ratio	0,28	0,29

Increase of Capital

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

Corporate Governance Principles Compliance Report

1. Corporate Governance Principles Compliance Statement

The "Corporate Governance Principles Compliance Report" of our Company, in effect with Communiqué Serial IV, No: 56 of the CMB, has been reformed in line with CMB's decision number 4/88 and dated February 1, 2012. This report will be presented to shareholders during the 2012 General Assembly.

In compliance with the Corporate Governance Principles published by the Capital Markets Board (CMB) during the 2012 operating year, ending December 31, 2012, our Company has a seven-member Board of Directors with executive and non-executive members and three independent members. As per Communiqué Serial IV, No: 56 of the CMB, our Board of Directors has one female member.

Of the three independent members, one will be the chairman of the Auditing Committee and another the chairman of the Corporate Governance Committee.

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

Our Board of Directors consists of five non-executive members (the Chairman, one Board of Directors Member, and three independent members) and two executive members (the General Manager and the Chief Financial Officer).

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

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

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

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

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

Prepared with the results of rating studies conducted by JCR Avrasya Derecelendirme A.Ş., the report has evaluated the Corporate Governance Principles Implementation within the scope of CMB regulations and determined the CMB Corporate Governance Principles Compliance Note as 7.68 and its outlook as stable. Digitized compliance values of the four main divisions were determined as follows:

- 7.27 for shareholders
- 8.05 for Public Disclosure and Transparency
- 7.07 for stakeholders
- 7.92 for Board of Directors and Managers.

SECTION I - SHAREHOLDERS

2. Shareholder Relations

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

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

The fundamental duties of the Shareholder Relations Department, as defined by Communiqué Serial IV, No: 41 on "Principles to be Followed by Firms under the Capital Markets Law" of the CMB, are as follows:

a) To ensure healthy, reliable, and current records on shareholders are kept

b) To answer shareholders' written information requests regarding the Company, excluding confidential information not disclosed to the public that is regarded as being a trade secret

c) To ensure the General Assembly is held in line with the legislation in effect, the articles of association, and other internal regulations of the Company
d) To prepare the documents shareholders will use during the General Assembly
e) To record voting results and report results
f) To observe and monitor all issues related to public disclosure, including the Company's regulations and disclosure policy
Uğur Kurt was charged with fulfilling obligations stemming from the Capital Market legislation stated in paragraph 1 of Article 8 of the Communiqué Serial IV, No: 41 on "Principles to be Followed by Firms under the Capital Markets Law" of the CMB. He holds a Capital Market Activities Advanced Level License certificate.

Contact Information:

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In 2012, 46 requests via email and phone were received from shareholders regarding the Company.

3. The Use of Shareholders Rights to Obtain Information

During 2012, shareholders' questions regarding the Company's activities and stock exchange performance have been answered in line with the relevant regulations. Information requests from shareholders are evaluated by the relevant departments, according to the law and the Articles of Association.
Developments affecting shareholders' use of rights are discussed in the Company Information Disclosure Policy.
Although the Articles of Association do not contain regulations regarding a special auditor, there have been no requests to appoint a special auditor for this reporting period or any previous reporting periods.

4. General Assemblies

The Ordinary General Assembly for 2011 fiscal year was held at 10:00 on Thursday, May 31, 2012, at the Company headquarters. The invitation to the meeting was announced with a Special Case Disclosure to the ISE on May 7, 2012 and published in issue No. 8062, dated May 7, 2012 of the Turkish Trade Registry Gazette, and in the daily newspaper, Türkiye, Issue No. 15028, dated May 8, 2012 and in the daily newspaper, Dünya, in Issue No. 10573-9397, dated May 8, 2012, according to regulations and the Articles of Association.
The attendance quorum from the relevant articles of the Turkish Commercial Code was met, with 25.19 percent of stakeholders attending the meeting on May 31, 2012.
Prior to the meeting, shareholders were provided with the Board of Directors report, the auditors' report and the summary of the independent auditors report, the financial statements, and the profit distribution proposal for 2011 from the Company website. Also, the above information was shared with shareholders through the General Assembly Disclosure Document page on the website and the Public Disclosure Platform (KAP).
Shareholders did not present questions outside the agenda nor were any proposals submitted.
The Articles of Association do not include provisions that allow the General Shareholders Meeting to take important decisions on matters such as the divestiture, sale, purchase, or lease of assets. The Company's Board of Directors acts in accordance with current legislation and the Articles of Association for matters pertinent to non-divestiture of assets in order to perform the responsibilities outlined in the Articles of Association regarding purpose and subject.
The amendments of the following articles of the Company's Articles of Association, approved by the Turkish Prime Ministry Capital Markets Board and the Turkish Ministry of Industry and Technology General Directorate of Domestic Trade, were accepted by majority vote:
3. (Purpose and Subject), 4. (Company Headquarters and Branches), 6. (Description of Capital and Shares), 7. (Board of Directors), 10. (Term of the Board of Directors), 12. (Duties, Representation, and Binding Rights of the Board of Directors), 13. (Remuneration of the Board of Directors), 17. (General Assembly), 19. (Having a Commissioner Present at the Assembly), 20. (General Assembly and Decision Quorum), 24. (Declaration), 26. (Amendment of the Articles of Association), 27. (Annual Reports), 32. (Articles of Association to be Sent to the Ministry), 33. (Legal Provisions), 34. (Capital Markets Tools)
The announcement for the General Assembly is made at least three weeks prior to the date of the assembly, using all channels of communication, including electronic communication in addi-

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tion to the ways outlined by the law, in order to reach maximum number of shareholders possible.

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

a) Total number of shares and voting rights, as well as privileged shares in the Company capital, if any, and the number of shares and voting rights representing each of the privileged share groups as of the date of the announcement,

b) Changes in the management and activities of the Company and/or the Company's subsidiaries and joint ventures that will affect the Company's activities significantly, and that have occurred in the past fiscal year or is planned to take place in the next fiscal year, the reasons for these changes, and Annual Reports and financial statements for the past two periods for all of the organizations partaking in these changes,

c) If the dismissal, change, or election of any Board of Directors members is on the General Assembly agenda, reasons are given for dismissal and/or change, and information on the Board of Directors member candidates,

d) Requests to put a topic on the agenda from shareholders, the CMB, and/or other public institutions and organizations,

e) If amending the articles of association is on the agenda, then the Board of Directors decision, as well as the former and updated version of the articles of association are shared.

Regarding the fulfillment of duties described in paragraph (c), the Company should disclose the following information regarding the Board of Directors candidates to the public within one week following the General Assembly announcement: Curriculum Vitae, duties and responsibilities held in the last ten years, reasons for severance, nature of relationship with the Company and the Company's subsidiaries and their relevance, whether they are independent, and similar topics that can affect the Company if they are elected.

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

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

In order to present the necessary information and respond to any questions, the Board of Directors members, other related persons, officers responsible for compiling financial statements, and auditors must be present at the General Assembly.

When preparing the agenda, the Board of Directors should take into consideration requests for topics to be included received in writing by the Shareholder Relations Department from shareholders. If the Board of Directors do not accept the inclusion of topics proposed by shareholders in the agenda, the topics that have been rejected and the reasons for not accepting them must be explained during the General Assembly.

The Chair of the General Assembly should try to ensure that topics on the agenda are conveyed in a subjective, clear, understandable, and detailed manner during the General Assembly. Shareholders are given equal opportunities to express their thoughts and ask questions. The Chair of the General Assembly ensures that all questions asked by shareholders during the General Assembly, given that answers do not involve dispensing trade secrets, are answered then and there. If the questions asked are not related to the agenda or if they are complex and comprehensive enough that they cannot be answered immediately, the Shareholder Relations Department should provide a written answer within 30 business days.

The Company should establish and submit its donation and aid policies for approval. Shareholders should be notified of the amounts of all donations and aid given made during the reporting period, as well as the benefactors, in line with the policy approved by the General Assembly. Also reported are any changes to the policy as a separate item in the agenda.

General Assemblies can be opened to the public, including the media and stakeholders. These attendees do not have the right to speak; a provision regarding this can be inserted into the Articles of Association.

5. Voting Rights and Minority Rights

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

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

<u>LIMITATIONS TO VOTING RIGHTS:</u> (Turkish Trade Registry Ga-

zette, Issue No. 3821, published July 5, 1995)

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

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

In the Company's Articles of Association there are no privileged voting rights. However, shareholders in Group A have the privilege to select the majority of the Board of Directors members.

6. Dividend Rights

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

The Company's dividend policy is as follows:

Bearing in mind the sensitive balance between our shareholders' expectations and our Company's need for growth, planned investments, working capital, and profitability, the Company's dividend policy, which enables our investors to receive dividend income, for years after 2011 has been identified as follows:

a) Once the essential legal reserves according to the Turkish Commercial Code, Tax Procedure Law, Capital Markets Law, Capital Markets Board resolutions, and similar regulations, as well as the relevant articles of the Company's Articles of Association have been set aside, the distributable profit is identified.

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

Bearing our Company's profit distribution potential in mind, it is always possible for the Board of Directors to decide to distribute profits above the minimum payout ratio, and to submit this decision for approval at the General Assembly.

c) If a decision to distribute profits is made, the Company's Board of Directors decide on whether the distribution will be done in cash and/or in bonus shares. This decision will be subject to the approval of the General Assembly.

d) If, at the General Assembly, the Board of Directors propose not to distribute the profits, the reasons underlying this decision and how the profit will be used should be presented to the shareholders. Moreover, this must be included in the Annual Report, registration statements, and the circular.

e) There are no privileges in dividend distribution. Dividends are distributed equally to all existing shares, notwithstanding the date of issue or acquisition.

f) There are no articles in our Articles of Association regarding the distribution of dividends to managers and employees.

g) Once approved by the General Assembly, dividends will be paid out to shareholders on the date determined by the General Assembly, without exceeding the legal time frame and complying with regulations and Article 30 of the Company's Articles of Association.

h) The Company management will notify the public of all donations and aid given during the year and any additional payments planned to be made at the end of the year.

i) When distributing dividends, the Company management should seek a steady balance between the interests of shareholders and the interests of the Company.

According to Article 29 of the Company's Articles of Association regarding the determination and distribution of profits:

FORMERLY

PROFIT DISTRIBUTION

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

Article 29:

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

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

Legal Reserves:

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a. Five percent is set aside as legal reserves. (Turkish Commercial Law, Article 466/1)
Financial Liabilities:
b. The amount for the current legal entity taxes for the Company is set aside.
Primary Dividend:
The primary dividends at a rate and an amount determined by the CMB are set aside from the remaining sum.
Secondary Dividends:
d. After the items in paragraphs a, b, and c above are deducted from the net profits, the General Shareholders Meeting is authorized to distribute all or part of the remaining sum as secondary dividends or recognize this sum on the balance sheet as end-of-quarter profits. (Turkish Commercial Code, Article 466/3 reserved.)
e. Unless reserves required by law and shareholder primary dividends are set aside according to the Articles of Association, no other reserves may be allocated and no profits may be carried over to the following year. In addition, members of the Board of Directors, officers, employees, or laborers may not receive shares from the profit, unless primary dividends are distributed.
An application was submitted to the Capital Markets Board on February 14, 2013 to amend the Articles of Association. Amended texts for the relevant Articles are shown below.

REVISION

CALCULATION AND DISTRIBUTION OF PROFITS:

Article 29:
A- Dividends
Company profit is determined based on the Turkish Commercial Code, Capital Markets Law, and internationally accepted accounting principles. It is the amount remaining in the annual balance sheet after the Company's general costs and sums that must be paid and set aside by the Company, such as depreciation and any mandatory taxes incurred by the Company's legal entity, are deducted from the income identified at the end of the fiscal year. Once accumulated loss from previous year is deducted from this amount, the balance is distributed as described below.
General Legal Reserves:
a) Five percent of the net profit, not to exceed one fifth of the paid capital, is set aside as legal reserves.
Primary Dividend:
b) If applicable, the sum of donations made during the year is added to the remaining amount. Based on this amount, the primary dividend is set aside in line with the Turkish Commercial Code and the Capital Markets Law.
c) Once the above items have been deducted, the General Assembly has the right to decide to distribute the profit to Board of Directors members, employees, foundations established with various purposes, and similar persons and organizations.
Secondary Dividends:
d) After the items described in paragraphs (a), (b), and (c) above have been deducted from the net profit for the period, the General Assembly is authorized to set aside the remaining amount, partially or in full, as secondary dividends or as capital reserves, as per Article 521 of the Turkish Commercial Code.
General Legal Reserves:
e) As per the second paragraph of Article 519 of the Turkish Commercial Code, five percent of the amount decided to be distributed to shareholders and anyone else participating in the profits is deducted as profit share; then, one tenth of the remaining amount is added to the general legal reserves.
f) If the legal reserves, dictated by the law, are not set aside, and the dividends for shareholders outlined in the Articles of Association, are not set aside; no additional reserves can be set aside, profits cannot be rolled over to the next year or be distributed to the Board of Directors members or to partnership employees. Furthermore, unless the identified dividend is paid to the shareholders outlined in the Articles of Association, no other dividends can be distributed.
g) Dividends are distributed equally to all existing shares at the date of the dividend distribution, notwithstanding the date of issue or acquisition.
h) The General Assembly decides on how and when to distribute the profits, based on the proposal submitted by the Board of Directors. Provisions in the Capital Markets Law must be complied with.
The decision made by the General Assembly based on these Articles of Association to distribute profits is irreversible.
B. Dividend Advances
On the condition that it conforms with the Capital Markets Law and is authorized by the General Assembly, the Board of Directors can distribute dividend advances for the current year. The authority to distribute dividend advances given to the Board of Directors by the General Assembly is limited to the year in which it was issued. Unless the dividend advances from the previous

year are fully deducted, additional dividend advances or distribution of any dividends may not occur. The General Assembly has accepted unanimously not to distribute any dividends related to the 2011 accounts and to deduct the loss in question from profit in the following periods.

7. Transfer of Shares

The transfer of shares is described in the Company's Articles of Association as follows;

FORMERLY

TRANSFER OF SHARES:

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

Madde 8:

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

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

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

An application was submitted to Capital Markets Board on February 14, 2013 to amend the Articles of Association.

Amended texts for the relevant Articles are shown below:

REVISION

TRANSFER OF SHARES:

Article 8:

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

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

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

SECTION II – PUBLIC DISCLOSURE AND TRANSPARENCY

Public Disclosure Principles and Tools

8. Disclosure Policy

The Company's disclosure policy has been announced to the public via the Public Disclosure Platform.

The execution of the public disclosure policy is under the authority and responsibility of the Board of Directors, which has appointed the executive director of Investor Relations and Financial Affairs for the coordination of the disclosure function.

Objective:

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

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

Authority and Responsibilities:

IHEVA's Disclosure Policy has been established by the Board of Directors. At IHEVA, the pursuance, observance and development of the public disclosure policy is under the authority and responsibility of the Board of Directors, which has appointed the executive director of Investor Relations and Financial Affairs for

Corporate Governance Principles Compliance Report

the coordination of the disclosure function. Authorized persons fulfill their responsibilities in close cooperation with the Corporate Governance Committee, the Auditing Committee, and the Board of Directors.

Methods and Tools:

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

- Disclosures of material events forwarded to the ISE and international stock exchange markets where the Company is listed:
- Financial statements and their footnotes, indepen dent audit reports and declarations periodically forwarded to the ISE and international stock exchanges where the Company is listed. These reports are also available on the Company's website. Annual reports and financial statements are periodically disclosed both in print and in electronic environments through the Company's website.
- Annual reports are presented to interested parties both in print and in electronic environments through the Company's website.
- Corporate Website: www.iea.com.tr
- Notices and announcements are published in the Turkish Trade Registry Gazette and national and local newspapers with high circulation. Also released as necessary are:
- Press releases regarding important developments throughout the year with print and visual media,
- Information on meetings and communications with investors and analysts, either in person or by phone, email, fax, and such.

Material Events Disclosures:

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

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

Great importance is placed on all Company employees' adherence to the rules on the use of insider information in order to ensure that the balance between transparency and protection of the Company's interests is maintained. Various measures are taken to prevent the illegal use of insider information. Documented and disseminated throughout the Company, the "Code of Ethics" expressly states the conduct that must be adopted by IHEVA employees in their business practices.

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

Confirmation of News or Rumors:

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

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

If the news or rumor in question contain any issue that requires a material events disclosure according to the related official information, diligent attention is given to forwarding the required disclosure to the related stock exchange before the start of the opening session, no later than 09:00, without waiting for a warning, statement or request from the Board of Directors or the related stock exchange, to ensure that market transactions and sessions are not interrupted.

Public Disclosure of Financial Statements:

The financial statements of IHEVA are prepared according to the provisions specified by the CMB and disclosed to the public after having been audited independently according to the International Standards of Auditing (ISA). Before public disclosure, financial statements and their footnotes are submitted to the Board of Directors for approval with assent obtained from the Auditing Committee according to the Capital Markets Law. After the authorized persons have signed the accuracy statement, then the financial statements and their footnotes and the independent auditing report are sent to the Public Disclosure Platform according to the Capital Markets Law and ISE regulations. The financial statements and their footnotes are retroactively accessible in the Investor section of IHEVA's website. Moreover, the Investor Relations unit prepares periodic presentations on information notes or financial data and ratios, and places them on the corporate website to ensure a better understanding of financial affairs.

Annual Report:

The content of the Annual Report is prepared according to international standards, Capital Markets legislation, and CMB Corporate Governance Principles. The Annual Report is then submitted for the approval of the Board of Directors. The Annual Report is made public on the corporate website.
Capital markets participants may obtain the printed version of the Annual Report in Turkish or English from the Investor Relations unit, if requested.

Appointment of Employees with Administrative Responsibilities:

Employees with access to internal information are given administrative responsibilities according to the scope of the information. However, managers and other staff members with detailed information on the Company's business activities and restricted information, in part or in full, are not considered as having access to internal information as defined above.
However, members of the Board of Directors, the general manager, some of the department directors, and upper management working in the headquarters who not only have detailed information on current business affairs but also on future plans are considered as being employees with access to internal information. A list of employees is prepared in line with these criteria and sent to the Capital Markets Board and the related stock exchanges, if requested, according to the applicable CMB communiqué.

The Company Website and Contents:

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

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

Notices and announcements through the Turkish Trade Registry Gazette and daily newspapers:

According to the Capital Markets Law, Turkish Commercial Code and the Articles of Association, the announcements of the General Shareholders Meetings, capital increases, and dividend payments are announced through the Turkish Trade Registry Gazette as well as through daily newspapers. Questions or information requests in writing from the media on various developments and on general business affairs are reviewed and given either positive or negative responses.

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Meetings and Contacts with Investors and Analysts:

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

Shareholders and analysts may also follow developments at IHEVA through the website regularly updated by the Investor Relations Unit, the information on the Public Disclosure Platform, as well as through direct contact, whether it be in person, by phone, or email.

Disclosures on Anticipatory Declarations:

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

9. The Company Website:

www.iea.com.tr

The Company website is used actively for public disclosures. The information posted on the website is constantly updated. As per provisions of relevant regulations, the information posted on the Company website is consistent with the information disclosed; it does not contain contradictory or inaccurate information. The address of the Company website is on the Company's letter head.

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

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

10. Annual Report

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

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

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

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

- Area of activity
- The industry in which the Company is active, as well as the Company's position in the industry
- The Company's financial status and analysis and evaluation of activity results
- Evaluation of the rating Company, if available
- Detailed explanation of foreseeable risks related to the Company's activities
- Duties and responsibilities, duties outside the Company, and Curriculum Vitaes of managers and Board of Directors members and also information regarding their compliance with the rules set forth by the Company regarding positions held external to the Company
- Distribution of roles among Board of Directors members and their duties and rights
- Duties of managers and Board of Directors members held outside the Company and the declaration of independence from Board of Directors members
- Committee members of the Board of Directors committees, meeting frequency, work principles, on-going activities, and the

Board of Directors' evaluation of committee efficiency

- Number of Board of Directors meetings during the year, and the participation of the Board of Directors members at these meetings
- Explanations on any administrative sanctions and fines given to the Company or the members of the Board of Directors due to non-conformance with legal provisions, if any
- Changes to any laws that may affect Company activities significantly
- Important suits filed against the Company and possible outcomes
- Any conflict of interest between the Company and any organizations from which it receives services like investment consultations or Company ratings and any precautions taken to prevent these conflicts of interest
- Reciprocal shareholdings exceeding five percent
- The Company's corporate social responsibility activities related to employees' social rights, vocational education, and any other activities that have a social or environmental impact
- In order for shareholders with majority shares, Board of Directors members, executive managers, and the spouses and relatives by blood or marriage up to second degree of these persons to compete or perform actions that may result in a conflict of interest with the Company or any of its subsidiaries, the General Assembly must approve these actions before hand
- The Company's profit distribution policy
- If the Board of Directors proposes to not distribute profits to the General Assembly, information on the reasons underlying this proposal along with the use of the profit is given
- The existence, running, and efficiency of internal controls and internal audits
- Justification of why the Chairman of the Board of Directors also holds the position of Chief Executive Officer or General Manager, as applicable
- The Board of Directors is responsible for ensuring that the Company reaches the operational and financial goals predefined and disclosed to the public. If these goals are not achieved then reasons are given
- Remuneration and all other benefits provided to Board of Directors members and executive managers

SECTION III - STAKEHOLDERS

11. Company Policy Regarding Stakeholders

Stakeholders will be notified of relevant issues upon request, according to the law and the Articles of Association.
Accordingly, employees, suppliers, dealers, and after sales technical service employees are notified of relevant issues regularly and frequently through training seminars and newsletters, all of which contribute to establishing synergy within the Company.
The rights of the Company stakeholders are preserved according to law and relevant contracts.
Our Company is obliged to go to any lengths to fulfill customer satisfaction in the marketing of goods and services.
Accordingly,

- Suggestions and complaints from end consumers, relevant non-government organizations or public organizations are prioritized on our agenda while solutions for customer satisfaction are created for goods and services purchased by consumers.
- Our products comply with international and national quality standards according to TSE, SGS, UL, TÜV, KEMA KEUR, NMI, and NSF, among others. Our products bear the CE symbol that certifies compliance with mandatory health, safety, environmental, and consumer protection laws. They are offered to consumers as safe-to-use products that are not harmful to human health nor jeopardize the safety of plants, animals, or the environment, when used as intended.
- Necessary precautions are taken in inter-Company procedures to prevent products that are below standard from passing through our manufacturing process and quality control system; and to compensate for and repair goods and services that are below standard. Furthermore, we have implemented joint measures with suppliers to ensure that their suppliers comply with these standards.
- Additionally, goods and services that fall below standard despite all precautionary measures are repaired and recompensed. Hence, although the minimum legal period for a warranty is two years, all of our appliances come with three year warranties.

12. Participation of Stakeholders in Management

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

Stakeholders are also encouraged to participate in evaluating the latest developments of ongoing projects.

We anticipate the establishment of models that encourage the participation of stakeholders (primarily Company employees) in management without impeding operations. With this in mind, we have taken steps towards the effective involvement of employees in management by providing them with training seminars. These seminars are conducted by experts in areas that include learning about the Company, developing learning skills, dealing with change, human relations, and business, among others. Our vocational education activities for employees are ongoing.

13. Human Resources Policy

Based on the belief that investment in people is always rewarded, our Company's human resources policy aims to create a productive, knowledgeable, and optimally-performing team, open to continuous improvement.

Moreover, our Company's Board of Directors adopts and implements the following principles in full, as per the CMB Corporate Governance Principles, Section III, Article 4:

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

As part of our human resources policy, Mr. Mustafa Salih Yazıcı acts as the human resources representative and manages employee relations.

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

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

14. Code of Ethics and Social Responsibility

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

Code of Ethics

Our Board of Directors proposes that the Company must show that capital markets are reliable above all else; thus, the Code of Ethics is extremely important. However, the precedence of the law, and thus the need to be an advocate of the law, must come first in the principles.

Moreover, members of our Board of Directors propose that the Company's general manager, chief financial officer, and accounting and finance department managers must do the following:

1. Provide complete, fair, accurate, timely, and clear information in all reports and documents disclosed to the public and submitted to the regulators of capital markets where the Company is registered
2. Act in compliance with all laws, regulations, and principles to which the Company and its shareholders are bound
3. Act according to the letter and spirit of these principles of ethics and strive to establish a corporate culture that sets the foundation for compliance with laws and Company policies in all business activities of the Company

Furthermore, individuals who may be considered as having inside knowledge must maintain the confidentiality of information included in financial statements not disclosed to the public according to the Code of Ethics.

A member of the Board of Directors may not disclose confidential information or information with trade secret status regarding the Company to the public.

Our employees:

- Are honest, reliable, ethical individuals who care about moral values and who do not compromise these values under any circumstance
- Perform their responsibilities in Company departments or units in a disciplined, attentive, dedicated and objective manner while abiding by the confidentiality principles for the benefit of the Company
- Fulfill their responsibilities to the best of their abilities in order to help increase Company profitability and market share
- Act, speak, and dress reasonably and properly
- Interact with others, both within and outside the Company, in a courteous, proper, modest, active, and positive manner; manifesting these characteristics in all relationships

- Abide by laws, professional principles, and relevant legislation
- Evaluate different opinions, points of views, and suggestions in an open minded manner to find a middle ground and to decide upon the most effective, sound, and applicable decisions for the Company
- Forego all types of illegal activities
- Refrain from engaging in behavior that is contrary to justice, sincerity, integrity, reliability and social responsibility principles
- Cooperate with other employees towards common goals by communicating with them in a respectful and considerate manner while conducting their duties
- Are obliged to decline offers for personal profit immediately, and report them to relevant authorities and their superiors
- Are obliged to decline gifts from existing or potential customers and suppliers, aside from at conventions

As a manufacturing Company, it is the common goal of management and all of our employees to remain up to date with global quality standards, to produce green and energy efficient products, to design ergonomic products that ease the everyday lives of people, and to manufacture quality products rather than to control quality.

Checking Compliance with the Code of Ethics

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

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

- The Internal Auditing Manager submits regular reports of any violations, and any corrective and preventive actions taken, to the Audit Committee.
- If allegations regarding employees are criminal, the Committee acts in cooperation with the Legal Department or Company lawyers and conducts the investigation jointly with them.

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

Disciplinary Penalties

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

Corporate Social Responsibility

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

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

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

Our Company separates waste at its source according to the Packaging Waste Regulation and contributes to recycling by giving packaging waste to licensed companies.

In order to spread a more effective environmental responsibility, our Company has a packaging waste certification contract with Consumer and Environmental Education Foundation (TÜKÇEV) to raise public awareness about decreasing packaging waste at

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its source, collecting and recycling packaging waste, environmental issues, developing environmental sensitivity, developing projects and training activities regarding recycling.

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

We have sponsored the Career Summit, held on Wednesday June 20, 2012, where participants shared their experiences with young individuals. Among the participants were, **Suat Kılıç**, Minister of Youth and Sports, **A. Mücahid Ören**, Vice Chairman of the Board of Directors of Ihlas Holding, **Ferit Şahenk**, Chairman of the Board of Directors of Doğuş Holding and Garanti Bankası, **Vedat Akgiray**, Chairman of the Capital Markets Board, **Hüseyin Avni Mutlu**, Governor of Istanbul, **Süreyya Ciliv,** Chief Executive Officer of Turkcell, **Murat Akgiray**, Chairman of the Board of Directors of Bimeks, Medya Derneği Başkanı ve Karikatürist **Salih Memecan**, Cartoonist and President of the Media Association, and **Sadık Söztutan**, Sports Columnist at Türkiye Gazetesi.

SECTION IV – BOARD OF DIRECTORS

15. Structure and Composition of the Board of Directors

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

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

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

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

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

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

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

Pending the approval of the first General Assembly, Murat Memioğlu has been elected to replace Ahmet Olgun, who resigned from his duty on March 4, 2013, for the remainder of Ahmet Olgun's term of duty. With Board of Directors decision number nine dated April 19, 2012, the role of Nomination Committee has been given to the Corporate Governance Committee. With decision number four dated May 2, 2012, the Committee has nominated three independent members. The Committee has informed the Board of Directors that the these candidates fulfill the criteria set forth in Article 4.3.7 of Communiqué Serial IV, No: 56 of the Capital Markets Board and that they have the necessary technical education, experience, and knowledge to fulfill their roles as required. This issue has been presented to the shareholders during the General Assembly held on May 31, 2012, and their approval has been sought. There were no circumstances in the 2012 operating period that jeopardized the independence of the independent members of the Board of Directors in any way. The responsibilities carried out by the members of the Board of Directors outside the Company are regulated by the Turkish Commercial Code with no additional restrictions.

Curriculum Vitaes and independence statements of the Board of Directors Members are as follows:

Abdullah Turalı, Chairman of the Board of Directors

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

Abdullah Turalı, born in Kırklareli in 1956, graduated from Istanbul Vefa High School and then from the Economics Faculty at Istanbul University in 1982. He worked at the Ministry of Labor Employment Agency's Istanbul branch office between 1977 and 1982. From 1994, Abdullah Turalı has held the position of manager in various departments at Ihlas Holding A.Ş. Currently he is the chairman of the Board of Directors of Ihlas Home Appliances.

Abdullah Turalı also serves as the Vice Chairman of the Board of Directors of Ihlas Pazarlama A.Ş., İhlas Pazarlama Yatırım Holding A.Ş., Ihlas Madencilik A.Ş., Detes Enerji Uretim A.Ş., Bisan Bisiklet Moped Otomotiv San.Tic A.Ş, Bisiklet Pazarlama San.ve Tic. A.Ş. He is a member of the Board of Directors of Kristal Kola and Meşrubat Sanayi ve Ticaret A.Ş., İhlas Meşrubat A.Ş., and Armutlu Tatil ve Turizm Işletmeleri A.Ş., and General Manager of Mir Iç ve Dış Ticaret Maden San.Ltd. Şti.

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

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

Born in 1960 in Ordu, Kurucan completed his primary education in Ordu, his middle education at the Bursa Mustafakemalpaşa Middle School and completed high school at the Çanakkale-Gökçeada Atatürk Teacher's High School. Kurucan graduated as a mechanical engineer in 1982 from Istanbul Technical University, Faculty of Mechanical Engineering. He has completed his masters education on gas turbines in Eskişehir Osman Gazi University. Kurucan worked at the Air Forces Command, Eskişehir Airplane Engine Maintenance Factory, for six years, followed by eleven-year tenure at the Eskişehir TUSAŞ F16 Engine Factory, on Contract and Quality Matters under the responsibility of the U.S. Ministry of Defense. He resigned in 1999, and assumed senior management duties at Ihlas Pazarlama and IHEVA, Ihlas Holding companies. He is married and has two children. He is fluent in English and has a fundamental knowledge of French. Sedat Kurucan is a member of the Board of Directors of İhlas Pazarlama Yatırım Holding A.Ş.

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

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

Born in 1970 in Karabük, Küsmez completed his primary through high school education there and graduated from Karabük Demir Çelik High School in 1987. He has worked at IHEVA since 1990, with middle and senior executive duties in the Accounting, Finance and Planning Departments. He has been a member of the Board of Directors since 2001 and has also served as Chief Financial Officer since 2004. He is married with two children.

H. Alev Volkan, member of the Board of Directors

Born in 1952, H. Alev Volkan studied at the Istanbul Economic and Commercial Sciences Academy. She has worked as a public officer at Haseki Hospital between 1970 and 1976. From 1976 to 1994 Volkan worked as Chief of Cost Accounting and Accounting Manager, respectively, at Penyelüks Hasan Gürel Kombine Tekstil Işletmeleri A.Ş. She resigned and began working at Ihlas Holding A.Ş. in February of 1994. H. Alev Volkan has Capital Market Activities Advanced Level License and Corporate Governance Rating Expertise License certificates. Currently, she is working as Assistant Financial Affairs Coordinator, Capital Markets Law Compliance and Corporate Governance Applications Manager at Ihlas Holding A.Ş.

Tolga Sönmez, independent member of the Board of Directors

Born in 1973 in Ankara, Tolga Sönmez began studying in the Economics Department of the Faculty of Economics and Administrative Sciences at Anadolu University in 1992 and graduated in 1996. Afterwards, Sönmez went to London and finished the Banking and Finance Certificate Program at London Guildhall University. In 1997, he began his career as a Finance Specialist at Ihlas Holding A.Ş. In 2002, Tolga Sönmez transferred to FFK Fon Finansal Kiralama A.Ş., Ülker Group's subsidiary in leasing. Sönmez left his position as Finance Manager at FFK Fon Finansal Kiralama A.Ş. in 2008 and worked as Finance Manager for Baklavacı Güllüoğlu A.Ş. until March 2011. Currently, he is working as Financial Affairs Coordinator at Boer Electronics. Sönmez

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is married and has one daughter. Tolga Sönmez has participated in many seminars nationwide and internationally. He has also taken the stand as speaker at the Finance Summit organized by the Finance Club of Middle Eastern Technical University.

Salman Çiftçi, independent member of the Board of Directors

Born in Sivas in 1971, Salman Çiftçi began studying in the Economics Department of the Faculty of Economics and Administrative Sciences at Uludağ University in 1989 and graduated in 1993. Same year, Çiftçi began working as an Accounting Specialist in Bank Accounting at Ihlas Holding A.Ş. Then, in 1996, he transferred to BKR Işık Yeminli Mali Müşavirlik A.Ş as Tax Auditor. He left this position in 1997 to become Assistant Accounting Manager, and later Accounting Manager, at Ihlas Hayat Sigorta A.Ş. In 2004, he became the Financial Affairs Manager at JFK Hospital, a foreign-partnered institution. In 2011, Çiftçi began working at his current position as Group Accounting Manager at German Hospitals Group, also a foreign-partnered institution. Salman Çiftçi is a certified Independent Accountant and Financial Advisor; and has certificates related to the new Turkish Commercial Code and SME IFRS. Çiftçi is also married and has two children.

Ahmet Olgun, independent member of the Board of Directors

Ahmet Olgun was born in Istanbul in 1979. He completed his elementary school and middle school education in Bursa. In 2001, he graduated from the Electronic Engineering department at Uludağ University. Upon completing his military service as an English teacher, Olgun started his career as a Product Manager at LG Electronics Inc. Turkey branch. Between 2007 and 2008, he worked as the Technical Services Manager in Sony Ericsson Mob. Com. AB Turkey branch. Since 2009, he has been working as the Technical Service Manager for Telpa Telekomünikasyon Tic. A.Ş. Olgun has resigned from his duty as of March 4, 2013.

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

Born in Istanbul on February 9, 1977, Murat Memioğlu studied at Denizli Anadolu High School and Izmir Y. Science High School. He graduated holds a Computer Engineering degree from Yıldız Technical University. Memioğlu has been developing CRM, ERP, e-Commerce, internet and intranet applications, data mining, and various financial systems integration projects for the last 16 years. Having worked at various companies in the informatics industry and managed multiple projects, Memioğlu is working as an Information Technologies manager at a leading e-commerce Company. Murat Memioğlu speaks advanced English and basic German.

Pending the approval of the first General Assembly, Murat Memioğlu has been elected to replace Ahmet Olgun, who resigned from his duty on March 4, 2013, for the remainder of Ahmet Olgun's term of duty.

STATEMENT OF INDEPENDENCE

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

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

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

I will contribute to the Company's activities, remain impartial during conflict of interests between shareholders, decide freely keeping the rights of stakeholders in mind, and set aside enough time to monitor the Company's operations and fulfill the needs of the role I have undertaken. May 2, 2012 **Tolga Sönmez**

STATEMENT OF INDEPENDENCE

I hereby declare that, neither I, nor my spouse, nor any of my relatives by blood or marriage up to third degree have had any direct or indirect employment or a commercial relationship in terms of equity or any other significant matter with Ihlas Ev Aletleri İmal. San. ve Tic. A.Ş. or any of its subsidiaries, or any legal entities where shareholders possessing more than five percent shares in the Company, directly or indirectly, are involved in the management or equity of the Company; For the past five years, I have not been employed or held role as a Board of Directors member at companies that have executed some or all of the Company's activities and organization within the scope of signed contracts, primarily in companies that have undertaken the auditing, rating, and consultancy of the Company; I will contribute to the Company's activities, remain impartial during conflict of interests between shareholders, decide freely keeping the rights of stakeholders in mind, and set aside enough time to monitor the Company's operations and fulfill the needs of the role I have undertaken. May 2, 2012 **Salman Çiftçi**

STATEMENT OF INDEPENDENCE

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

For the past five years, I have not been employed or held role as a Board of Directors member at companies that have executed some or all of the Company's activities and organization within the scope of signed contracts, primarily in companies that have undertaken the auditing, rating, and consultancy of the Company; I will contribute to the Company's activities, remain impartial during conflict of interests between shareholders, decide freely keeping the rights of stakeholders in mind, and set aside enough time to monitor the Company's operations and fulfill the needs of the role I have undertaken. May 2, 2012 **Ahmet Olgun**

STATEMENT OF INDEPENDENCE

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

For the past five years, I have not been employed or held role as a Board of Directors member at companies that have executed some or all of the Company's activities and organization within the scope of signed contracts, primarily in companies that have undertaken the auditing, rating, and consultancy of the Company; For the past five years, I have not been employed or held role as a Board of Directors member at any of I will contribute to the Company's activities, remain impartial during conflict of interests between shareholders, decide freely keeping the rights of stakeholders in mind, and set aside enough time to monitor the Company's operations and fulfill the needs of the role I have undertaken. May 2, 2012 **A. Murat Memioğlu**

16. Operating Principles of the Board of Directors

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

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

The Board of Directors holds an ordinary meeting at least once a month; however, members of the Board of Directors may convene in extraordinary situations and make decisions on important matters on the agenda. The Chairman, Vice Chairman and each board member is entitled to call the Board to meeting and/or add matters he/she wishes discussed to the related meeting, by notifying all other members at least one (1) day before the meeting. Invitations for these meetings are communicated by mail or telephone by the Board of Directors secretariat.

The Board of Directors secretariat is operated by an expert reporting to the Chairman of the Board of Directors. All questions posed and all matters discussed during meetings are recorded in the meeting minutes. Members of the Board of Directors attend all the meetings as a principle. However, for important matters pertaining to activities of the Company, all members of the Board of Directors are expected to be present at these meetings in person. The following agenda items can only be approved by

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members of the Board of Directors who are present, in person, at the Board of Directors meeting:

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

During 2012, the Board of Directors held 23 meetings; all of which were attended by all members.

No administrative sanctions or fines were given to the Board of Directors due to non-conformance with legal provisions.

Questions and opinions have been submitted by Board of Directors Members during the Board of Directors meetings; they are not recorded but a final decision is recorded for all items.

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

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

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

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

In line with Article 4.5.1 Communiqué Serial IV, No: 56 on "Determination and Application of Corporate Governance Principles" of the Capital Markets Board, it was decided during the Board of Directors meeting on April 19, 2012 that the roles of "Nomination Committee", "Early Detection of Risk Committee", and "Remuneration Committee" will be undertaken by the Corporate Governance Committee.

Duties and work principles of the Committees were accepted by the Board of Directors decision number nine dated April 19, 2012, and are carried out according to these procedures.

Role distribution and qualifications of the Committee members are as follows:

Corporate Governance Committee Chairman: Murat Memioğlu (Computer Engineer, Independent Member)

Corporate Governance Committee Member: H.Alev Volkan (Assistant Financial Affairs Coordinator, Board of Directors Member)

Auditing Committee Chairman: Salman Çiftçi (Financial Advisor, Independent Member)

Auditing Committee Member: Tolga Sönmez (Financial Advisor, Independent Member)

The Auditing Committee met five times during the 2012 fiscal year, which ended on December 31, 2012. The proposal decision from these meetings was adopted by the Board of Directors.

The Corporate Governance Committee met six times during the 2012 fiscal year, which ended on December 31, 2012. The proposal decision from these meetings was adopted by the Board of Directors.

18. Internal Control and Risk Management Mechanism

The Company's internal control structure links the organization's goals, risks identified, and control activities. Furthermore, it is focused on minimizing all types of risks that may prevent the group from reaching its goals. Thus, the elements of internal control are gathered under three groups.

1- Control Environment

Opinions and approaches of Management

Organizational structure of the Company

Functions of the Board of Directors and the Auditing Committee

Distribution of authorities and responsibilities

Management's monitoring methods

Company's human resources policies, procedures, employee structure and status

External factors

2- Accounting System

Company's accounting system and infrastructure

Whether recorded transactions exist

Whether transactions were executed in line with the given authority
Whether transactions have been recorded
Whether transactions have appreciated appropriately
Whether transactions were recorded in the right accounts
Whether transactions were recorded on time
Whether transactions were shown appropriately in statements and reports
Whether an appropriate account plan exists for operational activities
Existence of accounting guidelines that adequately explain how the accounts work
An effective budgeting system, a cost accounting system that has been organized according to operations and a document flow mechanism that records transactions

3- Control Procedures

Segregation of duties principle
Authorization in accordance with activities and operations
Coherence of documents and records
Physical control over assets and records
Independent controls related to performance
The internal auditing structure of the group consists of auditing by internal auditors who are under the control of the Internal Auditing Committee. A risk evaluation process exists in order to detect and evaluate obstacles that may arise in the Group's efforts to achieve its goals while conducting internal auditing activities.
Elements of the risk evaluation process are as follows:
Determining goals and objectives
Determining the level of risk tolerance
Determining controls
Evaluating controls
Improving controls
Continuous observation

19. Strategic Goals of the Company

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

20. Financial Rights

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

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

Remuneration Policy for Board of Directors Members and Executive Managers

Remuneration of the Board of Directors members are done according to provisions outlined in the Turkish Commercial Code, Capital Markets Law, and relevant regulations.
Remunerations of the Chairman and members of the Board of Directors is determined by the Corporate Governance Committee. They become effective after the approval of the General Assembly.
The determination of remunerations takes into account the time the individuals will spend in meetings, for preparations before and after the meetings, and for fulfilling their duties. Moreover, the attendance fee for each meeting is determined by the General Assembly.
If the Board member has a role in execution as well, then, considering the financial status of the Company and the general market conditions, an additional payment may be made. Although these criteria are used for determining the remuneration of independent members of the Board of Directors as well, it is taken into account that the level of remuneration will enable these members to maintain their independence.
The purpose of the remuneration policy is to ensure that remuneration brings out knowledge, skills, abilities, contribution, performance, and scale of responsibilities. Furthermore, the policy aims to increase employees' motivational and engagement level by creating competitiveness in the market and a compensation balance both internally and externally, so that the Company can attain the workforce necessary for it to achieve its goals.

aura

Wdry


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Wdry

2012 Profit Distribution Proposal

The following items have been decided to be discussed at the 2012 Ordinary General Assembly regarding the distribution of our Company's profits from activity in 2012:

1. To deduct period profit of 351,780.27 Turkish lira, based on the legal records, from the 2011 period loss of 4,366,842.90 Turkish lira

2. To deduct period profit of 20,292,092 Turkish lira, based on the consolidated financial reports prepared according to the Capital Markets Board, Communiqué Serial XI, No. 29, from the accumulated loss of 24,911,772 Turkish lira

Since there is no profit available for distribution due to the deduction of 2012 profits from accumulated losses, it has been determined that a profit distribution of zero shall be proposed to the 2012 Ordinary General Assembly.

Board of Directors

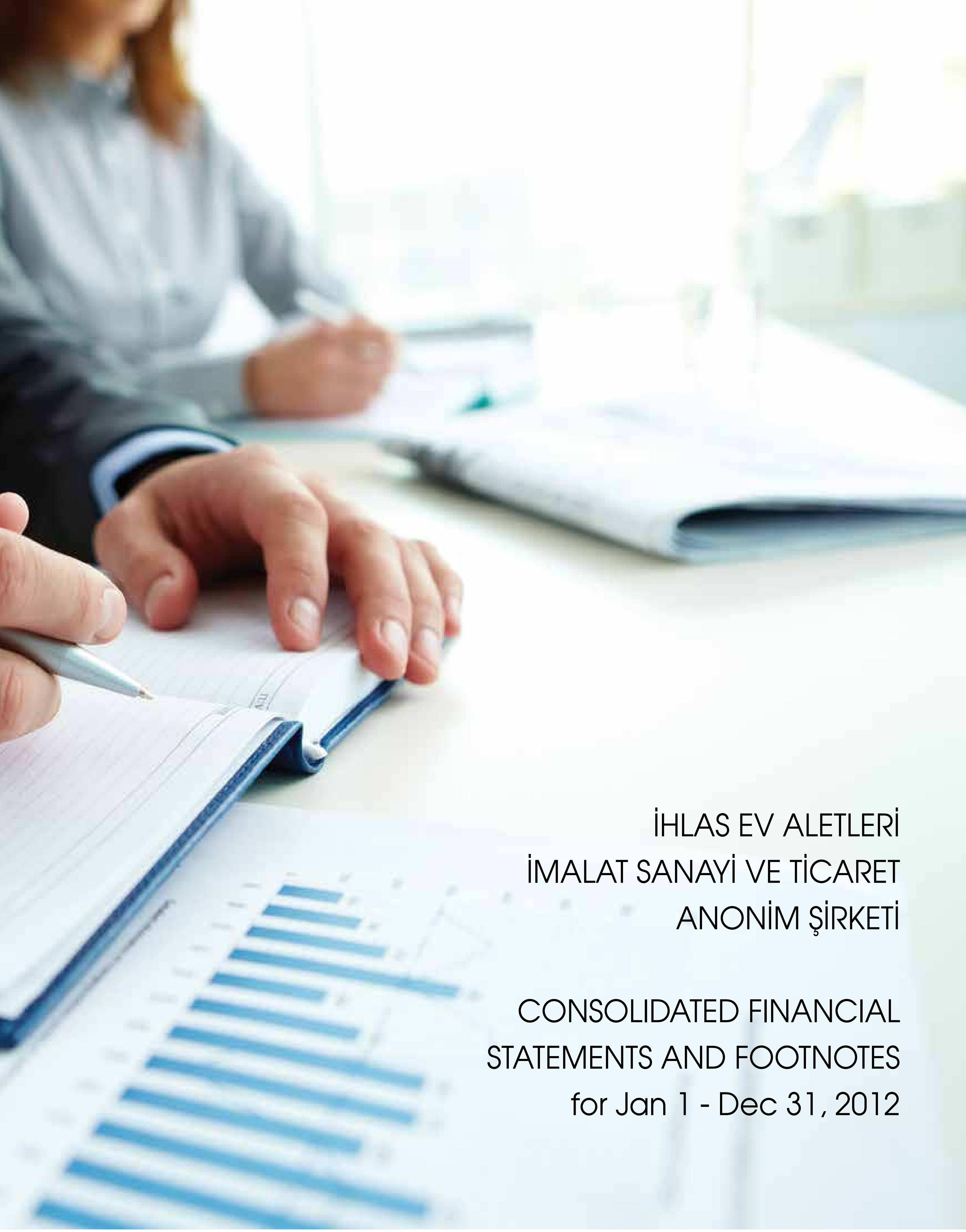
2012 Fiscal Year Auditors Report

Title	:	Ihlas Ev Aletleri Imalat Sanayi ve Ticaret A.Ş.
Headquarters	:	Istanbul
Capital	:	Registered Capital : 750,000,000.00 Turkish lira Issued Capital : 191,370,001.38 Turkish lira
Area of Activity	:	Manufacturing of Electric Home Appliances
Auditors: name, term, partnership status	:	Turgut Sayar was elected to audit the accounts for a three-year term during the 2011 Ordinary General Assembly and is not a shareholder.
Number of Board of Auditors and Board of Directors meetings attended	:	Attended 11 Board of Directors meetings and examined the decisions of the Board of Directors. Four Auditing Board meetings have been held.
Scope of association accounts, books, and records audits; the date they were conducted; the results	:	Audits conducted quarterly on legal books and documents revealed that records complied with documents and accounting standards.
Number of counts performed at the association cashier's desk as per the Turkish Commercial Code 353, Sections 1-3 and the results	:	A total of four cash counts were performed; the amount of cash correlated with records.
Dates of inspections performed as per the Turkish Commercial Code 353; Sections 1-4; the results	:	Company records were inspected monthly; the availability of relevant assets was in compliance with records.
Complaint and fraud notifications and the procedures undertaken regarding these notifications	:	No complaints or fraud notifications received.

I have inspected the account transactions of Ihlas Ev Aletleri A.Ş. for the period, January 1, 2012, to December 31, 2012, for compliance with accepted accounting standards and principles according to the Turkish Commercial Code, the Partner Principles Contract, and other applicable legislation. In my opinion, the attached balance sheet, prepared as of December 31, 2012, the contents of which I have examined, reflects the actual standing of the company during the period stated and the Income Statement for the period, January 1, 2012, to December 31, 2012, which I have also examined, reflects the actual operating results for this same period.

The profit distribution proposal complies with the law and the Articles of Association. I hereby submit the Income Statement to the Board of Directors to be voted on for approval.

Auditor
Turgut Sayar



İHLAS EV ALETLERİ İMALAT SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS AND FOOTNOTES for Jan 1 - Dec 31, 2012

Independent Audit Report for the Fiscal Year 2012

Independent Audit Report of İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş. for the January 1 - December 31, 2012 Fiscal Year

Ihlas Ev Aletleri Imalat Sanayi ve Ticaret A.Ş. Board of Directors

We have examined the consolidated financial statement (balance sheet), the consolidated income statement, the consolidated equity adjustment statement, the consolidated cash flow statement, summary of material accounting policies, and footnotes of Ihlas Ev Aletleri Imalat Sanayi ve Ticaret A.Ş. ("Company" or "Group") for the period ending on December 31, 2012.

Company Executives' Responsibilities Regarding the Financial Statements

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

Responsibilities of the Independent Auditing Firm

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

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

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

Independent Audit Report for the Fiscal Year 2012

Independent Audit Report of İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.
for the January 1 - December 31, 2012 Fiscal Year

Opinion

In our opinion, the attached consolidated financial statements accurately reflect the financial status of Ihlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş., as of December 31, 2008, and the company's cash flow for the period ending December 31, 2008, in compliance with the financial reporting standards published by the Capital Markets Board.

We would like to draw attention to the following, although they have no bearing on our focus:

Although not affecting our opinion, we would like to point out that the Company's consolidated financial statements from the previous year, presented in comparison with the consolidated financial statements dated December 31, 2012, were examined by another independent auditing company, which has issued a positive opinion for these consolidated financial statements.

İRFAN YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.
is a full member of
PCAOB
Public Company Accounting Oversight Board

Istanbul, March 7, 2013
İRFAN BAĞIMSIZ DENETİM ve
YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.

Hayati ÇİFTLİK
Lead Auditor, Responsible Partner
Sworn-in Financial Advisor

Consolidated Financial Statements

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Consolidated Financial Statements (Balance Sheets) as of December 31, 2012 and December 31, 2011
Unless otherwise stated, the amounts are in Turkish lira (TL)

		Based on Independent Audit	
	Footnote References	Audited 31.12.2012	Audited 31.12.2011
ASSETS			
Current Assets		**209.417.001**	**164.268.072**
Cash and Cash Equivalents	6	1.533.382	470.744
Financial Investments	7	87.258.985	43.631.358
Trade Receivables	10	63.744.451	63.808.556
-Trade Receivables from Related Parties	10	13.951.131	2.947.757
- Other Trade Receivables	10	49.793.320	60.860.799
Financial Receivables	12	0	0
Other Receivables	11	12.343.662	899.109
-Other Receivables from Related Parties	11	12.094.803	-
- Other Receivables	11	248.859	899.109
Inventories	13	36.392.419	40.909.003
Live Assets	14	0	0
Other Current Assets	26	8.144.102	14.549.302
(Sub Total)		209.417.001	164.268.072
Held-for-Sale Fixed Assets	34	0	0
Fixed Assets		**94.805.697**	**121.534.743**
Trade Receivables	10	0	0
Financial Receivables	12	0	0
Other Receivables	11	245.031	231.262
Financial Investments	7	1.470.663	1.364.959
Investments Appraised using the Equity Method of Accounting	16	0	0
Live Assets	14	0	0
Investment Properties	17	37.359.741	59.108.783
Tangible Fixed Assets	18	5.179.618	4.357.900
Intangible Fixed Assets	19	5.786.175	5.312.081
Goodwill	20	37.720.505	39.923.002
Deferred Tax Asset	35	7.007.113	11.180.443
Other Fixed Assets	26	36.851	56.313
TOTAL ASSETS		**304.222.698**	**285.802.815**

The attached footnotes augment the consolidated financial statements.

Consolidated Financial Statements

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Consolidated Financial Statements (Balance Sheets) as of December 31, 2012 and December 31, 2011
Unless otherwise stated, the amounts are in Turkish lira (TL)

		Based on Independent Audit	
	Footnote References	Audited 31.12.2012	Audited 31.12.2011
EQUITIES			
Short-Term Liabilities		**78.498.510**	**75.161.693**
Financial Liabilities	8	0	61.377
Other Financial Liabilities	9	39.342.259	28.899.098
Trade Payables	10	34.113.503	41.996.402
-Related Party Payables	10	686.246	591.036
- Other Trade Payables	10	33.427.257	41.405.366
Other Payables	11	12.400	0
Financial Payables	12	0	0
Government Incentives and Aid	21	0	0
Year-end Profit Tax Liabilities	35	0	0
Provisions for Payables	22-23	0	0
Other Short-Term Liabilities	26	5.030.348	4.204.816
(Sub Total)		78.498.510	75.161.693
Held-for-Sale Fixed Asset			
Liabilities	34	0	0
Long-Term Liabilities		**7.597.489**	**7.186.012**
Financial Liabilities	8	0	0
Other Financial Liabilities	9	0	0
Trade Payables	10	0	0
Other Payables	11	0	0
Financial Payables	12	0	0
Government Incentives and Aid	21	0	0
Provisions for Payables	22-23	781.053	1.065.584
Reserves Related to Benefits Provided to Employees	24	2.539.085	1.897.987
Deferred Tax Liability	35	3.671.262	1.876.035
Other Long-Term Liabilities	26	606.089	2.346.406

Consolidated Financial Statements

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Consolidated Financial Statements (Balance Sheets) as of December 31, 2012 and December 31, 2011
Unless otherwise stated, the amounts are in Turkish lira (TL)

		Based on Independent Audit	
	Footnote References	Audited 31.12.2012	Audited 31.12.2011
EQUITIES		**218.126.699**	**203.455.110**
Equities Belonging to the Parent Company		**201.040.730**	**181.978.538**
Issued Capital	27	191.370.001	191.370.001
Cross-Ownership Capital Adjustments (-)	27	0	0
Share Premiums	27	6.534.581	6.534.581
Other Equity Reserves	27	4.890.469	4.890.469
Growth Funds	27	0	0
Currency Exchange Differences	27	0	0
Restricted Reserves from Profits	27	2.865.403	1.887.847
Profit/(Loss) from Previous Years	27	(24.911.772)	3.467.180
Net Current Profit/(Loss)	36	20.292.048	(26.171.540)
Minority Shares	27	**17.085.969**	**21.476.572**
TOTAL RESOURCES		**304.222.698**	**285.802.815**

The attached footnotes augment the consolidated financial statements.

Consolidated Comprehensive Income Statements

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

January 1 - December 31, 2012 and January 1 - December 31, 2011 Consolidated Comprehensive Income Statements
Unless otherwise stated, the amounts are in Turkish lira (TL)

		Based on Independent Audit	
	Footnote References	Audited 01.01.2012-31.12.2012	Audited 01.01.2011-31.12.2011
CONTINUED ACTIVITIES			
Sales Income	28	101.540.360	99.508.540
Cost of Sales (-)	28	(90.272.373)	(92.807.844)
Gross Profit/(Loss) from Trade Activities		**11.267.987**	**6.700.696**
Interests, Fees, Premiums, Commissions, and Other Income	28	0	0
Interests, Fees, Premiums, Commissions, and Other Costs (-)	28	0	0
Gross Profit/(Loss) from Financial Activities		**0**	**0**
GROSS PROFIT/(LOSS)		**11.267.987**	**6.700.696**
Marketing, Sales, and Distribution Costs (-)	29	(2.564.585)	(2.385.887)
Administrative Costs (-)	29	(9.313.044)	(9.655.228)
Research and Development Costs (-)	29	(1.230.119)	(1.032.997)
Other Operating Income	31	43.265.008	12.983.376
Other Operating Costs (-)	31	(12.571.495)	(34.357.930)
OPERATING PROFIT / (LOSS)		**28.853.752**	**(27.747.970)**
Amount of Investment Appraisal through Equity Management in Profit/Loss		0	0
Financial Income	32	14.166.108	11.338.316
Financial Costs (-)	33	(19.420.020)	(15.633.495)
CONTINUING OPERATIONS PROFIT/(LOSS) BEFORE TAXES		**23.599.840**	**(32.043.149)**
Continuing Operations Tax Income/ (Expense)		**(5.968.557)**	**6.118.783**
- Current Tax Income/(Costs)	35	0	0
- Deferred Tax Income/(Costs) (-)	35	(5.968.557)	6.118.783
CONTINUING OPERATIONS PROFIT/(LOSS) FOR THE PERIOD		**17.631.283**	**(25.924.366)**
DISCONTINUED OPERATIONS		**0**	**0**
Discontinued Operations Profit/(Loss) After Taxes		**0**	**0**
CURRENT PROFIT / (LOSS)		**17.631.283**	**(25.924.366)**
Distribution of Current Profit/Loss		**17.631.283**	**(25.924.366)**
Minority Shares	36	(2.660.765)	247.174
Parent Company Shares	36	20.292.048	(26.171.540)
Earnings per Share (in Kurus)	**36**	**0,106**	**(0,137)**
Diluted Earnings per Share (in Kurus)	**36**	**0,106**	**(0,137)**
Earnings per Share from Continuing Operations (in Kurus)	**36**	**0,106**	**(0,137)**
Diluted Earnings per Share from Continuing Operations (in Kurus)	**36**	**0,106**	**(0,137)**

Consolidated Comprehensive Income Statements

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

January 1 - December 31, 2012 and January 1 - December 31, 2011 Consolidated Comprehensive Income Statements
Unless otherwise stated, the amounts are in Turkish lira (TL)

		Based on Independent Audit	
OTHER COMPREHENSIVE INCOME STATEMENT	Footnote References	Audited 01.01.2012-31.12.2012	Audited 01.01.2011-31.12.2011
CURRENT PROFIT / (LOSS)	**36**	**17.631.283**	**(25.924.366)**
OTHER COMPREHENSIVE INCOME		**0**	**(1.984.217)**
Change in Financial Assets Growth Funds		0	(1.984.217)
Change in Fixed Assets Growth Funds		0	0
Change in Hedge Funds		0	0
Change in Currency Exchange Differences		0	0
Actuarial Profits and Losses from Retirement Benefit Plans		0	0
Shares in Other Comprehensive Incomes from Partnerships Appraised using the Equity Method of Accounting		0	0
Tax Income/Expenses Related with Other Comprehensive Income Items		0	0
OTHER COMPREHENSIVE INCOME (AFTER TAXES)		**17.631.283**	**(27.908.583)**
TOTAL COMPREHENSIVE INCOME		**17.631.283**	**(27.908.583)**
Distribution of Total Comprehensive Income			
Minority Shares		(2.660.765)	247.174
Parent Company Shares		20.292.048	(28.155.757)

The attached footnotes augment the consolidated financial statements.

Consolidated Equity Adjustment Statements

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

January 1 - December 31, 2012 and January 1 - December 31, 2011 Consolidated Equity Adjustment Statements
Unless otherwise stated, the amounts are in Turkish lira (TL)

January 1, 2012
New Mergers and Effective Share Adjustments
Adjustment in Special Reserves
Transfers
Current Net Profit/(Loss)
December 31, 2012

January 1, 2012
Changes in Revaluation of Financial Fixed Assets
Additional Equity Contribution Related to the Merger
Changes in Reserves Derived from Profit
Effective Share Adjustments
Transfers
Current Net Profit/(Loss)
December 31, 2011

The attached footnotes augment the consolidated financial statements.

Footnote References	Issued Capital	Share Premiums	Other Equity Reserves	Restricted Reserves Derived from the Profit	Net Current Profit / (Loss)	Profit/(Loss) from Previous Years	Minority Shares	Total
	191.370.001	**6.534.581**	**4.890.469**	**1.887.847**	**(26.171.540)**	**3.467.180**	**21.476.572**	**203.455.110**
27	0	0	0	936.433	0	(2.207.412)	(1.729.838)	(3.000.817)
27	0	0	0	41.123	0	0	0	41.123
27	0	0	0	0	26.171.540	(26.171.540)	0	0
36	0	0	0	0	20.292.048	0	(2.660.765)	17.631.283
	191.370.001	**6.534.581**	**4.890.469**	**2.865.403**	**20.292.048**	**(24.911.772)**	**17.085.969**	**218.126.699**

Footnote References	Issued Capital	Share Premiums	Revaluation of Financial Fixed Assets	Other Equity Reserves	Restricted Reserves Derived from the Profit	Net Current Profit / (Loss)	Profit/(Loss) from Previous Years	Minority Shares	Total
	191.370.001	**6.534.581**	**1.984.217**	**0**	**1.680.909**	**9.217.632**	**(5.874.327)**	**26.574.616**	**231.487.629**
27	0	0	(1.984.217)	0	0	0	0	0	(1.984.217)
3-27	0	0	0	4.890.469	0	0	0	2.966.089	7.856.558
27	0	0	0	0	206.938	0	(206.938)	0	0
27	0	0	0	0	0	0	330.813	(8.311.307)	(7.980.494)
27	0	0	0	0	0	(9.217.632)	9.217.632	0	0
36	0	0	0	0	0	(26.171.540)	0	247.174	(25.924.366)
	191.370.001	**6.534.581**	**0**	**4.890.469**	**1.887.847**	**(26.171.540)**	**(3.467.180)**	**21.476.572**	**203.455.110**

Consolidated Cash Flow Statements

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

January 1 - December 31, 2012 and January 1 - December 31, 2011 Consolidated Cash Flow Statements
Unless otherwise stated, the amounts are in Turkish lira (TL)

		Based on Independent Audit	
	Footnote References	Audited 31.12.2012	Audited 31.12.2011
Cash flow from Business Activities			
Current Net Profit/(Loss)	36	20.292.048	(26.171.540)
Reconciliation of Cash from Business Activities and Net Profit			
Depreciation	18	1.611.157	1.515.966
Amortization and Depletion Shares	19	86.417	231.837
Termination Benefit Provisions	30	807.393	978.452
Terminated Warranty Provisions	31	(270.811)	(1.070.367)
Tax	35	5.968.557	(6.118.783)
Non-Parent Profit/(Loss)	36	(2.660.765)	247.174
Tax costs in scope of Law no 6111	31	-	963.143
Financial Income	32	(1.643.184)	(2.132.137)
Financial Costs	33	9.764.195	3.576.019
Goodwill Impairment Provisions	31	2.202.497	1.807.346
Long-term Financial Investment Impairment Provisions	31	32.802	177.375
Canceled Long-term Financial Investment Impairment Provisions	31	(148.506)	-
Investment Properties Impairment Provisions	31	806.616	874.234
Net Securities Sales Profit/(Loss)	31	1.957.502	(777.019)
Terminated Lawsuit Provisions	31	(13.720)	(1.678)
Other Terminated Provisions	31	(303.801)	(151.753)
Revaluation Surplus of Financial Assets		-	(1.984.217)
Other Net Costs/(Income) Requiring No Cash Outflow/(Inflow)		433.429	(237.071)
Net Operating Profit Before Receivable and Payable Adjustments		**38.921.826**	**(28.273.019)**
Receivables and Payables Adjustments			
Financing Investments Adjustments	7	(43.733.331)	(15.626.585)
Related Party Receivables Adjustments	10	(11.003.374)	27.154.210
Other Trade Receivables Adjustments	10	11.067.479	(34.884.172)
Other Receivables Adjustments	11	636.481	405.448
Related Party Other Receivables Adjustments	11	(12.094.803)	-
Inventory Adjustments	13	4.516.584	(15.399.252)
Other Current Asset Adjustments		6.523.158	8.130.141
Other Fixed Asset Adjustments	26	19.462	20.981.980
Related Party Payables Adjustments		(9.721.698)	(453.323)

Consolidated Cash Flow Statements

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

January 1 - December 31, 2012 and January 1 - December 31, 2011 Consolidated Cash Flow Statements
Unless otherwise stated, the amounts are in Turkish lira (TL)

		Based on Independent Audit	
	Footnote References	Audited 31.12.2012	Audited 31.12.2011
Other Trade Payables Adjustments		(1.080.206)	20.246.594
Other Short-term and Long-term Payables Adjustments		(1.143.712)	(3.687.263)
Termination Benefits Paid	24	(166.295)	(172.728)
Net Cash from Business Activities (A)		**(17.258.429)**	**(21.577.969)**
Investment Activities			
Tangible Asset Purchases	17,18	(2.443.556)	(21.950.562)
Intangible Asset Purchases	19	(560.510)	(4.751.479)
Cash from Sold Tangible Assets		19.012.179	45.016
Net Cash from Investments (B)		**16.008.113**	**(26.657.025)**
Financial Activities			
Received Interest	32	1.643.184	2.132.137
Paid Interest	33	(9.764.195)	(3.576.019)
Financial Liabilities Adjustments	8	(61.377)	(11.495.861)
Other Financial Liability Adjustments	9	10.443.161	21.461.698
Net Cash for Financial Activities (C)		**2.260.773**	**8.521.955**
Net Increase in Cash and Cash Equivalent Assets (D = A + B + C)		**1.010.457**	**(39.713.039)**
Opening Balance for Cash and Cash Equivalent Assets (E)		**470.744**	**40.183.783**
Opening Existing Cash from Mergers (F)	**3**	**52.181**	**-**
Closing Balance for Cash and Cash Equivalent Assets (G = D+E+F)	**6**	**1.533.382**	**470.744**

The attached footnotes augment the consolidated financial statements.

Footnotes to the Consolidated Financial Statements

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Footnotes to the Consolidated Financial Statements as of December 31, 2012
Unless otherwise stated, the amounts are in Turkish lira (TL)

Note 1 - Organization and Area of Activity of the Company

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

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

The Company is registered with the Istanbul Chamber of Commerce and the Istanbul Chamber of Industry under Registry Nos. 135455 and 17984, respectively. The June 3, 2010, dated Capacity Report (No. 2010-1447), which the Company obtained from the Istanbul Chamber of Industry, is valid until June 08, 2013.

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

Number of Personnel	31.12.2012		31.12.2011	
	Administrators	Laborers	Administrators	Laborers
Parent Company	92	193	85	200
Subsidiaries	9	46	13	45
TOTAL	**101**	**239**	**98**	**245**

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

	31.12.2012		31.12.2011	
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]	7,32	14.000.000	7,32	14.000.000
Open to the Public	74,83	143.205.723	74,83	143.205.723
Other	0,25	483.278	0,25	483.278
Total	**100,00**	**191.370.001**	**100,00**	**191.370.001**

[1] Real and legal entities that own the capital indirectly:

	31.12.2012		31.12.2011	
Title	**Share (%)**	**Share Amount**	**Share (%)**	**Share Amount**
Enver Ören [3]	2,48	4.731.793	2,69	5.145.605
Open to the Public	20,68	39.581.890	19,95	38.171.510
Other	1,76	3.367.317	2,28	4.363.885
TOTAL	**24,92**	**47.681.000**	**24,92**	**47.681.000**

[2] The Parent Company of the Group, Ihlas Holding A.Ş., issued a lot of 8,000,000 (4.18 percent) company shares to Lehman Brothers as a deposit according to an options contract ending on July 24, 2009. Research and analyses conducted by Ihlas Holding A.Ş.

Unless otherwise stated, the amounts are in Turkish lira (TL)

revealed that Lehman Brothers Holdings Inc., New York, filed for bankruptcy and that the options contract of Ihlas Holding A.Ş. with Lehman Brothers Finance S.A. was in a state of insolvency. Accordingly, Ihlas Holding A.Ş. officially initiated the process for the return of the lot of 8,000,000 company shares (IHEVA) issued to Lehman Brothers Finance S.A. as a deposit on November 28, 2008. The Parent Company of the Group, Ihlas Holding A.Ş., filed for an interim court injunction on the 8,000,000-share deposit to prevent any possible risks; the court granted an interim injunction on March 6, 2009. Following the injunction request, within the allowed time frame, on March 13, 2009, Ihlas Holding A.Ş. filed for the return of the deposit shares, or for the payment of the value of the shares on the date of return if unable to do so. The case has ended on April 16, 2012; and the mentioned shares have been returned to Ihlas Holding A.Ş.

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

[3] Enver Ören, one of the indirect shareholders of the Company, has passed away since the date of the balance sheet. The indirect shareholder structure has not yet been clarified as of the date of the report.

The Company Board of Directors has applied to CMB on February 14, 2013 regarding the amendment of the Articles of Association in order to comply with the Turkish Commercial Code No. 6102. Details regarding this issue can be found in Note 40.

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

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

Subsidiaries Included in the Consolidation (Based on Effective Rate)

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

2- Mir Maden İşletmeciliği Enerji ve Kimya San. Tic. Ltd. Şti. (Mir Maden): The company engages in mining, chemicals, and energy operations. It has merged with Ihlas Kimya San. Ltd. Şti during the current fiscal year. Ltd. Şti. ile birleşme olmuştur.

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

Not 2 - Principles Regarding the Presentation of Financial Statements

A. Fundamental Presentation Principles

Compliance Statement

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

The CMB has outlined the principles and methods used for preparing financial reports to be presented to relevant parties in the Communiqué on Principles Regarding Financial Reporting in Capital Markets (Serial XI, No: 29). This Communiqué became effective as of the first interim financial statements after January 1, 2008 and the Communiqué on Accounting Standards in Capital Markets (Serial XI, No: 25) of the CMB was rescinded. As per Communiqué with Serial XI, No: 29, companies are to comply with the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS), as accepted by the European Union, and to state the compliance of their financial statements with IAS/IFRS, as accepted by the European Union, in the financial statement footnotes. Moreover, the financial reports and accounting records are also projected using the Turkish Accounting Standards (TAS) and Turkish Financial Reporting Standards (TFRS) published by the Turkish Accounting Standards Board (TASB), whose standards are in line with those already adopted. (In November 2011, TASB was closed and all responsibilities were transferred to the Public Oversight Accounting and Auditing Standards Authority) However, in the interim, until the Public Oversight Accounting and Auditing Standards Authority (formerly TASB) announces and reconciles any differences between the IAS/IFRS accepted by the European Union and those published by the International Accounting Standards Board, the IAS and IFRS will apply.

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

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

Related Parties

IAS 24 "Related Party Disclosures Standard", states that parties are considered to be related if one party has the ability to control the other party or to exercise significant influence or joint control over the other party directly or indirectly, including through shareholding, contractual benefits, and familial relations. Furthermore, related parties include investors and company management. Related party transactions consist of the transfer of assets, services, or liabilities between related parties, regardless of whether a fee is applicable.

Segmented as "related parties" for purposes of the financial statements are shareholders of the Company, the group companies in indirect capital relationships with the Company, members of the Board of Directors, executive managers, and other key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including all directors, whether executive or otherwise (Note 37).

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

Basis of Consolidation

The consolidated financial statements include the accounts of Ihlas Ev Aletleri Imalat San. ve Tic. A.Ş., the Parent Company, and subsidiaries such as Ihlas Madencilik, Detes Enerji, and Mir Maden(all together referred to as the "Group").

Subsidiaries are included in the consolidation as of the date the control is transferred to the Group; and are taken out of the subsidiaries consolidated at the date the control leaves the Group. The Group's consolidated financial statements includes subsidiaries, which are companies where the parent company has either the power to use 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.

Subsidiaries have been consolidated as per the full consolidation method; thus, the recorded values for subsidiaries have been netted in light of their relevant equities. Equities and net current profits assigned to the beneficiaries of the subsidiaries outside the parent company are shown as minority shares in the consolidated balance sheet and consolidated comprehensive income statement.

The Group evaluates the activities of selling and buying the shares of subsidiaries that are under its control with minorities as a method of extending the parent company. Therefore, the difference between the subsidiary's share purchased based on the recorded net value of its assets and the cost of acquisition within the scope of buying and selling transactions of shares outside the parent company is accounted into equity. In other words, the changes in the parent company's shares of the subsidiary, given there is no loss of control, are recorded as equity transactions.

Unless otherwise stated, the amounts are in Turkish lira (TL)

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

Subsidiaries Included in the Consolidation (Based on Effective Rate)

Company Title	Share (%)
Ihlas Madencilik	%62,25
Detes Enerji	%99,84
Mir Maden	%51,50

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

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

Company Title	Share (%)
İhlas Mining Ltd. Şti. (İhlas Mining)	%56,02
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 compared to the previous year in an effort to identify financial conditions and performance trends. As presentation or classification of items in the financial statement changes, those statements from the previous year are also changed and re-segmented, accordingly, so the two statements are comparable.

Because some of the items calculated in the comprehensive income statement have been reclassified for the statement dated 01.01-31.12.2011, the Company's comprehensive income statements for previous year has been reclassified. Details regarding this reclassification have been outlined in Note 41.

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

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

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

Statement regarding Inflation Accounting and Reporting Currency

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

Consolidated financial statements dated December 31, 2012, and those from previous periods to be used for comparative purposes, were prepared in Turkish lira (TL).

Pursuant to IAS 21, "The Effects of Changes in Foreign Exchange Rates", foreign currency transactions have been recorded as functional currency by applying the spot exchange rate between the relevant foreign currency and the functional currency at the date of transaction.

31 Aralık 2012 ve 31 Aralık 2011 tarihleri itibariyle T.C. The closing foreign currency exchange rates announced by the Central Bank of Turkey as of December 31, 2012 and December 31, 2011, are shown in the table below.

	Foreign Exchange Rates (TL/Foreign Currency)	
Currency	**31.12.2012**	**31.12.2011**
USD	1,7826	1,8889
EURO	2,3517	2,4438
GBP	2,8708	2,9170
CHF	1,9430	2,0062

Offsetting

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

B. Changes in Accounting Policies

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

The following do not constitute adjustments to the accounting policies:

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

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

New and revised standards and interpretations

The consolidated financial statements for the fiscal year ending in December 31, 2012 have been prepared according to the accounting policies that were used in the previous years, except for the new and revised standards effective as of January 1, 2012 and the interpretations by the International Financial Reporting Interpretations Committee (IFRIC). The effect of these standards and interpretations on the Group's financial status and performance are described in the relevant paragraphs.

New standards, amendments, and interpretations effective as of January 1, 2012 are as follows:

IAS 12 Income Taxes – Recovery of Underlying Assets (Amended)

IAS 12 has been amended with the following items:

i) As a legally valid prediction until proven otherwise, calculation of deferred taxes on investment properties where the asset is measured by the fair value model in IAS 40, based on the principle that the recovery of the carrying amount of the property will be through sale

ii) Deferred taxes on assets not subject to depreciation and measured according to revaluation model as per IAS 16 should always be calculated based on the principle of sales.

The amendments must be applied retrospectively. This amendment has not had any effect on the financial status or performance of the Group.

IFRS 7 Financial Instruments: Disclosures Regarding Transfers of Financial Assets (Amended)

Amendments to the standards have occurred as a result of International Accounting Standards Board's examination of keeping activities outside the scope of the balance sheet. The purpose of these amendments is to encourage transparency by reporting transfer activities of financial assets, especially like securitization, and ensuring the readers of the financial statements better understand the overall effect of these risks on the financial status of the company and the potential risks arising from the transfer, including the potential risks that may remain on the party that is transferring the financial asset. This amendment has not had any effect on the financial status or performance of the Group.

Standards that have been published but are not yet in effect or have not been adopted early.

New standards, interpretations, and amendments that have been published as of the date of the approval of the consolidated financial statements but have neither become effective for the current reporting period yet nor have been adopted early by the Group are as described below. Unless stated otherwise, the Group will make the necessary changes that will effect its consolidated financial statements and footnotes after the new standards and interpretations gain effectiveness.

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

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

IAS 19 Employee Benefits (Amendment)

This standard is effective for annual periods starting on or after January 1, 2013, and is allowed to be adopted early. Aside from some exceptions, the amendments will be applied retrospectively.

The amendment to the standard has clarified many topics and has changed many practices. The most significant ones of the many changes made are the elimination of termination liabilities interval mechanism, listing of actuarial profit/loss related to defined benefit plans under other comprehensive income, and separation of short-term and long-term employee social rights not based on employees eligibility but based on the estimated payment date of the liability. The Group is assessing the effects of the amended standard on its financial status and performance.

IAS 27 Separate Financial Statements (Amendment)

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

IAS 28 Investments in Associates and Joint Ventures (Amendment)

As a result of publishing IFRS 11 and IFRS 12, the IASB has amended IAS 28 and changed its named to IAS Investments in Associates and Joint Ventures. The amendments have brought accounting of associates as well as joint ventures by method of equity. These amendments have the same transition clauses as IFRS 11. The mentioned standard is not expected to have any effect on the Group's financial status or performance.

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

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

IFRS 7 Financial Instruments: Disclosures - Offsetting of Financial Assets and Liabilities (Amendment)

The disclosures provide financial statement readers with useful information for i) assessing the effects and possible of offsetting activities on the company's financial statement and ii) comparing and evaluating the financial statements prepared in line with IFRS and other widely accepted accounting principles. The amendments will be effective retrospectively for annual and interim periods starting on or after January 1, 2013. The amendments only effect the basis of disclosures and will not have any effect on the financial status or performance of the Group.

IFRS 9 Financial Instruments – Classification and Disclosure

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

IFRS 10 Consolidated Financial Statements

The standard will be effective for annual periods ending on or after January 1, 2014. Changes will be implemented retrospectively with some adjustments. IFRS 10 is permitted for early adoption as long as IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities are adopted at the same time.

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

IFRS 11 Joint Arrangements

The standard will be effective for annual periods ending on or after January 1, 2014. Changes will be implemented retrospectively with some adjustments. IFRS 11 is permitted for early adoption as long as IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities are adopted at the same time.

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

IFRS 12 Disclosure of Interests in Other Entities

The standard will be effective for annual periods ending on or after January 1, 2014. Changes will be implemented retrospectively with some adjustments. IFRS 12 is permitted for early adoption as long as IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements are adopted at the same time.

IFRS 12 contains all footnote disclosures related to associates, joint ventures, and subsidiaries formerly outlined in IAS 31 Interests in Joint Ventures and IAS 28 Investments in Associates before, as well as all disclosures related to consolidated financial statements formerly mentioned in the IAS 27 Consolidated and Separate Financial Statements. In line with the new standard, a comprehensive footnote will be disclosed regarding investments in other entities.

IFRS 13 Fair Value Measurement

The new standard explains how fair value is measured in line with IFRS, but does not change when fair value can and/or needs to be be used. It is a guideline for all fair value measurements. Furthermore, the new standard brings additional disclosure obligations regarding fair value measurements. This standard will be effective prospectively for annual periods ending on or after January 1, 2013. Early adoption is permitted. The new disclosures need to be given for the period as of IFRS 13 is adopted. No comparative disclosure needs to be given for previous years. The mentioned standard is not expected to have any significant effect on the Group's financial status or performance.

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

This standard will be effective for annual periods starting on or after January 1, 2013, and is allowed to be adopted early. The requirements outlined in this interpretation will need to be applied to the stripping costs in the production phase as of the beginning of the period in which Companies' comparison will be presented. The interpretation clarifies when and under what circumstances stripping costs in the production phase can be recognized as asset, initial recording of the recognized asset, and how it will be measured in the following years. The mentioned standard has not yet been approved by the European Union and is not expected to have any effect on the Group's financial status or performance.

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

The amendments are effective for annual periods starting on or after January 1, 2013. In order to eliminate retrospective adjustments, the amendments have been only made to the implementation guide. The first implementation date is defined as "the beginning of the annual year in which IFRS 10 is first implemented". The evaluation on whether there is a control or not will be done on date of implementation rather than the beginning of the period in which it is presented comparatively. If the control evaluation done based on IFRS 10 is different than the one done by IAS 27 / IFRIC 12, effects of retrospective adjustments must be identified. However, if the evaluation results are the same, there is no need for retrospective adjustment. If more than one comparative period is being presented, only the previous period can be adjusted. The IASB has amended the IFRS 11 and IFRS 12 in the implementation guide for the same reasons, and has eased the transition clauses. This change has not yet been accepted by the European Union. The mentioned standard is not expected to have any significant effect on the Group's financial status or performance.

Improvements to the IFRS

The IASB has published the Annual IFRS Improvements for the period between 2009 and 2011, including the amendments to the existing standards. Necessary but not urgent amendments are done within the scope of annual improvements. The amendments are effective for annual periods starting on or after January 1, 2013. As long as necessary disclosures are made, it is permitted for early adoption. This project has not yet been accepted by the European Union. The project is not expected to have any significant effect on the Group's financial status or performance.

IAS 1 Presentation of Financial Statements

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

IAS 16 Property, Plant, and Equipment:

Recognizing spare parts and servicing equipment as inventory in the events where they fit the description of fixed assets has been clarified.

IAS 32 Financial Instruments: Presentation:

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

IAS 34 Interim Financial Reporting:

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

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 has been changed to bring an exception for companies that fit the description of an investment company to be exempt of consolidation clauses. With the exemption brought on the consolidation clauses, subsidiaries of investment companies need to be recognized at fair value, as per the clauses of IFRS Financial Instruments. This amendment is effective for annual periods ending on or after January 1, 2014, and is allowed to be adopted early. This change has not yet been accepted by the European Union. The mentioned amendments are not expected to have any effect on the Group's financial status and 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 a new development or information and, therefore, do not constitute a correction of errors.

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

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

D. Summary of Material Accounting Policies

Cash and Cash Equivalents

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

Financial Investments

There are three groups of financing investments: financial assets held for trading (whose fair value difference is recognized in the income statement), held-to-maturity investments, and available-for-sale financial assets.

During the initial recognition of financial assets whose changes in fair value are not included in profits or losses, the transaction costs directly related to the acquisition of the relevant financial asset are added to the recognized fair value.

Financial assets held for trading consist of banks with maturity terms of three months or more; and securities that are part of a short-term, profit-oriented portfolio, irrespective of the reason for acquisition; or securities that are acquired for the purpose of profiting from short-term fluctuations in market prices. Initially, financial assets held for trading are measured at fair value. Transaction costs related to the acquisition of the relevant financial asset are added to the fair value; the relevant financial assets are measured at fair value in the periods subsequent to the initial recognition. Gains or losses from valuation are recognized in profit or loss. Financial assets held for trading without an active market are recognized from amortized costs in the subsequent periods. Interest accrued during the possession of securities held for trading are initially recognized under interest income and then under dividend income from profit. Trading transactions of securities held for trading become either recognized or de-recognized according to the delivery dates.

Held-to-maturity investments are financial assets with fixed or determinable payments that an entity intends to hold or that is able to be held until maturity. Held-to-maturity investments are measured at amortized costs that have been calculated using the effective interest method in the periods after recognition. Gains or losses from valuation are recognized in profit or loss.

The effective interest method is the method that calculates amortized costs of a financial asset (or a financial asset group) and distributes the interest income or expense over the relevant period. The effective interest rate is the rate that precisely discounts estimated future cash payments or receipts for the expected life, or a shorter period if applicable, of the financial instrument to the net carrying amount of the financial asset or liability.

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

Trade Receivables

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

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

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

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

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

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

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

Inventories

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

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

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

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

Investment Properties

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

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

b) Sale as part of regular business flow

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

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

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

b) The cost of the investment property is accurately measurable.

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

In the later periods, investment properties are valued by choosing either fair value method or cost method. The Company chooses fair value method for valuation of investment properties.

Fair value of an investment property is determined as the value that arise in the event of handover of an asset among willing groups with knowledge or paying a debt. Fair value is determined on the best possible estimate if the property does not have a market. Thus, fair value can change as a result of the fluctuations in the estimate and market conditions. When determining fair value, an expert opinion on factors like the asset's risks, market conditions, and depreciation must be considered. Accordingly, the Group has studied whether the value of its investment properties was appraised or impaired. As a result of this study, the impairment value of its investment properties for the current period has been calculated with other costs in the comprehensive income statement.

Profit or loss resulting from the changes in the fair value of the investment property is recognized in the profit or loss for the period in which it occurs, not in the other operational profit/losses.

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

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

Tangible and Intangible Assets

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

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

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

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

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

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

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

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

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

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

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

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

Even if bought together, land and buildings, are separable fixed assets and are recognized separately. There is no amortization for assets such as property and land, for the useful life of such is indeterminable or indefinite.

Tangible assets are checked for impairment when an event or circumstance arises in the existing conditions regarding the recoverability of the value of the tangible assets. When such events or circumstances arise, or when the carried value exceeds realizable value, those assets are written-down values at their realizable value. The realizable value is the higher of an asset's net selling price and its value in use. When calculating value in use, the estimated future cash flow expected to arise is discounted to present value, using the pre-tax rate that reflects the risks specific to the asset. Realizable values for assets that do not generate large cash inflow independently from other assets or groups of assets are determined for the cash-generating unit to which the asset belongs. The relevant tangible asset is subjected to depreciation based on its estimated remaining useful life. Amortization and impairment losses of tangible assets are recognized under administrative expenses, sales costs, and idle capacity expenses in the idle capacity columns of the income statement.

The Company conducts impairment tests on its assets. Net sales prices for some assets are determined taking into account "second-hand market value" and as "depreciated renewal costs" for assets that do not have a second-hand market. Because the net sales price for these assets were equal to or more than their book value, their depreciation value has not been calculated; and thus, no impairment provision has been set aside. If the net sales price for some assets, like goodwill, cannot be determined, depreciation value is used for impairment testing.

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

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

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

Receivables, payables, income and expenses, and cash flow resulting from the exploration for and evaluation of mineral resources are presented in the disclosures within the report.

Held-for-Sale Fixed Assets and Discontinued Operations

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

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

(a) refers to the operations or significant line of business of a certain geographical region, or

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

Fixed assets held-for-sale are valued at the lesser of book value or fair value. If fair value is below the book value, the impairment is recorded in the consolidated income statement for the period in which it occurs.

Taxation and Deferred Taxes

Turkish tax regulations do not allow for the parent company and its subsidiaries to file a consolidated tax return. Thus, the tax provisions recognized in consolidated financial statements have been calculated separately for each company. The Group's tax income and expenses is the sum of its current tax and deferred tax income and expenses.

Current year tax liability is calculated based on the taxable portion of the profit of the period. Tax provisions shown in the consolidated financial statement differ from those in the income statement because taxable profit excludes profits and losses both, taxable or deductible, and non-taxable and non-deductible in other years. The Group's current tax liability was calculated based on the tax rate that was either already legally accepted or will be accepted at the balance sheet date.

Payable current taxes are netted with the tax amount paid upfront if they are made or will be made to the same tax authority. Deferred tax asset and liability is netted in the same manner.

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

A deferred tax asset should be recognized for an unused tax loss carry-forward item or an unused tax credit only on the condition that it is considered probable that there will be sufficient future taxable profit against which the loss or credit carry-forward items can be utilized.

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

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

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

Goodwill

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

a) Identification of the buyer;

b) Determination of the acquisition cost; and

c) Distribution of the merger costs incurred on the date of the merger to acquired assets, assumed liabilities, and contingent liabilities.

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

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

Termination Benefit 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, in line with the Turkish Commercial Code, after at least 12 months of service, the military draft, or death in the foreseeable future, as of the date of the balance sheet. (Note 24)

Kıdem tazminatı yükümlülüklerinin indirgenmesi için aktüeryal değerleme yöntemi kullanılmıştır. Bunun için de aktüeryal varsayımlar yapılmıştır. The most important of these is the discount rate used in the discounting process.

The rate used to discount post-employment benefit liabilities (severance indemnity provisions) should be determined by a reference to market yields of high quality corporate bonds on the date of the balance sheet. Due to the lack of a deep market for such bonds, a real interest rate has been applied by a reference to market yields (compound interest rates) of government bonds (on the balance sheet date). In other words, the net interest rate based on inflation (net real interest rate) is used. (Note 24)

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

Provisions, Contingent Assets and Liabilities

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

One of three methods is used in allocating provisions. The first of these methods is applied where the effect of the time value of money is material. The provisions are recognized at discounted values of expected future expenses on the date of the balance sheet when the effect of the time value of money becomes material. When the discounted value is used, the increases in provisions due to time will be recognized as interest expenses. In the provisions where the effect of money is material, the discount is applied using the risk-free discount rate based on government bonds that have the same maturity as the expected cash flow, assuming there are no risks and uncertainties in determining the expected cash flow. The second method is the expected value method. This method is used for provisions for large populations or events; the liability is estimated taking into account all probable outcomes. The third method is the recognition of provisions in the financial statements by measuring one-off events or liabilities at the most likely amount.

Assets and liabilities that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise are excluded from the financial statements and are classified as contingent assets and liabilities and explained in the footnotes. (Notes 22-23)

Warranty Provisions

Warranty provisions are the recognized expenses of repair and maintenance performed for goods manufactured and sold by the enterprises, the cost of labor performed, the parts used at the technical service centers free of charge as part of the warranty, the cost of initial maintenance assumed by the enterprises, and the results of estimates calculated from previous data for probable levels of return and repair in subsequent years for goods whose revenues are recorded as income for the current year. (Notes 22-23)

Leases

Finance Leases:

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

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

Operating Leases:

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

Revenue

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

Sale of Goods:

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

Sale of Services:

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

Interest:

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

Dividend:

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

Revenue is measured at the fair value of the consideration receivable. When transactions are deferred, the difference between the nominal value and the fair value (discounted value) of the transaction value is recognized as interest revenue according to the standards of IAS 39 "Financial Instruments: Recognition and Measurement".

When the outcome of a sale of service cannot be measured reliably, the transaction revenue is recognized with reference to the stage of completion of the transaction on the date of the balance sheet.

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

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

Non-accrual Financial Income/Expenses

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

Borrowing Costs

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

Earnings per Share

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

Financial Instruments

Recognition and De-recognition of Financial Instruments:
An entity must recognize financial assets or financial liabilities in the balance sheet only when the entity becomes a party to the contractual provisions of the financial instrument. The entity must de-recognize a financial asset or part of a financial liability when the entity does not control the asset. All financial liability should be removed from the balance sheet only when the obligation specified in the contract is discharged, cancelled, or expired.
Fair value of financial instruments:
Fair value is the amount at which an asset may be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction, and if this exists, the fair value is best determined by quoted market prices.
The fair values of financial instruments are determined by the enterprise, using active market inputs and an acceptable valuation technique. However, discretion is used in the interpretation of market inputs for estimating fair value. Hence, the estimates presented here may not indicate the value the entity may obtain from a current transaction in a market.
The methods and assumptions below have been used in the estimation of the fair value of financial instruments whose fair value can be determined.
Financial Assets:
The fair value of foreign currency balances that have been converted from end-of-period rates are recognized as being within reasonable convergence to the recognized value. Foreign currency exchange rate income and expenses arising from these types of financial instruments are reported in the financial income/expenses account.
The fair value of financial assets recognized at cost, including cash, banks, and bank deposits, are recognized as near registered value due to the negligibility of losses in receivables and being short-termed.
Translation revenue and expenses arising from the valuation of foreign currency balances in cash and in demand deposits are reported in the financial income/expenses account. Time deposits (restricted and unrestricted) balances are valued based on the effective interest rate method; gains or losses are reported in the financial revenue/expense account. Mutual fund gains or losses are reported as securities sales profit/loss in the financial income/expenses account.
Fair values of securities investments are calculated according to their market values on the date of the balance sheet.
Recognized values of business loans and receivables and doubtful receivables provisions are estimated to reflect their fair value.

Unless otherwise stated, the amounts are in Turkish lira (TL)

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

Financial Liabilities:

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

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

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

If the Group chooses and plans to refinance or rotates its financial liabilities within twelve months after the reporting period, then this liability is reset in the long-term, even if it will be paid in the short-term. However, if the company does not choose or prefer to refinance or rotate its financial liabilities (i.e. a refinancing contract does not exist), a possibility of refinancing is not considered and the liability is reset in the short-term.

All trade and financial liabilities are appreciated based on the effective interest rate method and all arising profits and losses are reported under cost of sales and financial income/expenses.

Impairment of Financial Instruments

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

Classification of Financial Instruments

According to the IAS 39 "Financial Instruments: Recognition and Measurement", financial assets are classified into four groups and financial liabilities into two groups. Financial assets include loans, receivables and assets for sales items where fair value differences are reflected in the income statement. On the other hand, financial liabilities are classified into two groups: those with fair value differences reflected in the income statement and those classified as other financial liabilities.

Values and classifications of financial assets and liabilities as of December 31, 2012 and as of December 31, 2011 are depicted below.

31.12.2012	Fair Value Difference Financial Assets Listed in the Income Statement	Financial Assets to be Held-on-Hand until End of Term	Loans and Payables	Ready-to-sell Financial Assets	Other Debts/ Debts Measured by Amortized Cost
Financial Assets					
Cash and Cash Equivalents	88.220.142	572.225	-	1.470.663	-
Trade Receivables	-	-	63.744.451	-	-
Other Receivables	-	-	12.588.693	-	-
Financial Liabilities					
Financial Liabilities	-	-	-	-	-
Other Financial Liabilities	-	-	-	-	39.342.259
Trade Payables	-	-	-	-	34.113.503
Other Payables	-	-	-	-	12.400

Unless otherwise stated, the amounts are in Turkish lira (TL)

31.12.2011	Fair Value Difference Financial Assets Listed in the Income Statement	Financial Assets to be Held-on-Hand until End of Term	Loans and Payables	Ready-to-sell Financial Assets	Other Debts/ Debts Measured by Amortized Cost
Financial Assets					
Cash and Cash Equivalents	44.074.496	27.606	-	1.364.959	-
Trade Receivables	-	-	63.808.556	-	-
Other Receivables	-	-	1.130.371	-	-
Financial Liabilities					
Financial Liabilities	-	-	-	-	61.377
Other Financial Liabilities	-	-	-	-	28.899.098
Trade Payables	-	-	-	-	41.996.402
Other Payables	-	-	-	-	-

Fair value measurements are described in the accounting policies for each financial asset and liability; and there is no other event that requires revaluation. Book value of cash and banks are accepted to be similar to their fair value.

Financial Risk Management

Collection Risk

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

Currency Risk

Currency risk arises from changes in the foreign exchange rates of a financial instrument. The balance of the foreign currency transactions from operating, investment, and finance activities of the Group as of the report date is given in Note 38. A foreign currency risk arises when exchange rates increase where the Turkish lira depreciates against foreign currencies. (Note 39-d).

Liquidity Risk

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

Government Incentives and Aid

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

Dividend

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

Issued Capital

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

Share Premiums

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

Events after the Reporting Period

Events after the annual reporting period refers to events, either favorable or unfavorable, that occur between the end of the annual reporting period and the date that the financial statements are authorized for issue. According to the standards of IAS 10 "Events after the Reporting Period" the entity must adjust its financial statements to reflect the new events if an event after the annual reporting period provides further evidence of conditions that existed at the end of the annual reporting period or if an event arises after the annual reporting period that requires adjusting the financial statements. If these events do not require adjusting the financial statements, the entity must explain these events in the footnotes to its financial statement. (Note 40)

Cash Flow Statement

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

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

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

Segment Reports

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

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

(b) Regularly reviews the operating results to determine which sources to allocate to the unit and to assess the unit's performance through management channels authorized to make decisions on operations; and

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

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

E. Material Accounting Evaluations, Estimations and Assumptions

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

Unless otherwise stated, the amounts are in Turkish lira (TL)

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

Note 2-d	Fair value determination
Note 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
Notes 22-23	Lawsuit and warranty provisions
Note 24	Termination Benefit Provisions
Note 35-b	Deferred taxes assets and liabilities

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

a) As per the accounting policies determined, the Group subjects the values of the goodwill to impairment tests annually and in events where conditions indicate a potential impairment. The values of the goodwill have been compared to their recoverable values and have been subjected to value impairment test. Recoverable values are determined based on the usage values.

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 forward 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, 2012.

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

Note 3 – Mergers

Current Reporting Period:

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

Cash and Cash Equivalents	52.181
Other Current Assets	117.958
Tangible Fixed Assets	13.237
Intangible Fixed Assets	2
Trade Payables (short-term)	(1.743.589)
Related Party Liabilities (short-term)	(1.175.416)
Other Payables	(24.874)
Other Short-Term and Long-Term Liabilities	(234.247)
Fair value of assets and liabilities resulting from the merger (net)	**(2.994.748)**

Footnotes to the Consolidated Financial Statements

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Footnotes to the Consolidated Financial Statements as of December 31, 2012
Unless otherwise stated, the amounts are in Turkish lira (TL)

Previous Reporting Period:

Ihlas Madencilik and Bayındır Madencilik, both Group companies, decided to initiate the merger process as a result of the Board of Directors decision dated January 11, 2011. They applied to the Capital Markets Board (CMB) to incorporate Ihlas Madencilik A.Ş in Bayındır Madencilik by taking over all of its assets and liabilities in its entirety, in accordance with the current legislation provisions, and to change the title of Bayındır Madencilik to "Ihlas Madencilik A.Ş".

This application was approved in the Weekly Bulletin No 2011/13 of the Capital Markets Board, which was published on April 1, 2011.

The following decisions were made at the 2010 Ordinary General Assembly of Bayındır Madencilik, dated May 07, 2011:

It has been decided for Bayındır Madencilik to merge with Ihlas Madencilik through acquisition as per legal provisions and legal permissions obtained and for Articles 2 and 6 of the Company Articles of Association be amended as per the permission given by R.o.T. Capital Markets Board and R.o.T. Ministry of Industry and Commerce General Directorate of Domestic Trade. Accordingly, the title of Bayındır Madencilik will be Ihlas Madencilik A.Ş., and paid capital of Bayındır Madencilik to be reduced from 36,000,000 Turkish lira to 23,576,467 Turkish lira, and for the paid capital to increase from 55,966,071 Turkish lira to 79,542,538 Turkish lira concurrently with the reduction of the paid capital as a result of the merger.

The merger operation of Ihlas Madencilik with Bayındır Madencilik was approved on May 18, 2011 and the issued capital of Bayındır Madencilik was raised to 79,542,538 Turkish lira. The title of Bayındır Madencilik was then changed to Ihlas Madencilik A.Ş.

The "Extra capital contribution in respect of consolidation" difference of 7,856,558 Turkish lira, including the minority shares occurring due to the capital reduction in the aforementioned merger, is shown as "Other Capital Reserves" in the consolidated financial statement (balance sheet) since there is no related component in the basis of presentation of financial statements of the Capital Markets Board.

Note 4 – Joint Ventures

None. (December 31, 2011: None.)

Note 5 – Segment Reports

January 1 - December 31, 2012 period;	Home Appliances	Mining and Energy	Group Total
Sales Income (net)	100.789.333	751.027	101.540.360
Cost of Sales (-)	(88.695.116)	(1.577.257)	(90.272.373)
Gross Profit / Loss	**12.094.217**	**(826.230)**	**11.267.987**
Operating Expenses	(9.633.902)	(3.473.846)	(13.107.748)
Diğer Faaliyet. Gelir ve Karlar	42.024.467	1.240.541	43.265.008
Diğer Faal. Gider ve Zararlar(-)	(10.449.134)	(2.122.361)	(12.571.495)
Operational Profit / (Loss)	**34.035.648**	**(5.181.896)**	**28.853.752**
Financial Income / (Cost), net	(3.926.111)	(1.327.801)	(5.253.912)
Gross Profit / Loss of On-Going Activities	**30.109.537**	**(6.509.697)**	**23.599.840**
Total Assets	**250.253.882**	**53.968.816**	**304.222.698**
Total Liabilities	**79.494.194**	**6.601.805**	**86.095.999**

Unless otherwise stated, the amounts are in Turkish lira (TL)

January 1 - December 31, 2011 period;	Home Appliances	Mining and Energy	Group Total
Sales Income (net)	98.360.388	1.148.152	99.508.540
Cost of Sales (-)	(91.778.333)	(1.029.511)	(92.807.844)
Gross Profit / Loss	**6.582.055**	**118.641**	**6.700.696**
Operating Expenses	(10.024.448)	(3.049.664)	(13.074.112)
Other Operations Profit and Loss	8.520.569	4.462.807	12.983.376
Other Operations Costs and Losses (-)	(33.366.074)	(991.856)	(34.357.930)
Operational Profit / (Loss)	**(28.287.898)**	**539.928**	**(27.747.970)**
Financial Income / (Cost), net	(4.500.773)	205.594	(4.295.179)
Gross Profit / Loss of On-Going Activities	**(32.788.671)**	**745.522**	**(32.043.149)**
Total Assets	**221.837.532**	**63.965.283**	**285.802.815**
Total Liabilities	**75.304.649**	**7.043.056**	**82.347.705**

Note 6 - Cash and Cash Equivalents

	31.12.2012	31.12.2011
Cash	**188.842**	**113.091**
Banks	**840.542**	**357.642**
Demand Deposits	268.317	330.036
Term Deposits (TL)	572.225	27.606
-Liquid funds	572.225	27.606
Checks and promissory notes maturing on the reporting date	**500.000**	**-**
Other Cash Equivalent	**3.998**	**11**
Total	**1.533.382**	**470.744**

Ihlas Madencilik A.Ş. has blocked demand deposit of 102,856 Turkish lira at the date of the reporting period. (Previous year: 125,986 Turkish lira)

Note 7 - Financial Investments

	31.12.2012	31.12.2011
Financial assets whose fair value differences are recognized in the profit/loss statement	**87.258.985**	**43.631.358**
Stocks	71.135.037	58.936.619
Provisions for Stock Value Appreciation (+) / Impairment (-)	16.123.948	(15.305.261)
Short-Term Financial Investments	**87.258.985**	**43.631.358**

Footnotes to the Consolidated Financial Statements

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Footnotes to the Consolidated Financial Statements as of December 31, 2012
Unless otherwise stated, the amounts are in Turkish lira (TL)

Long-Term Financial Investments

Ready-to-sell Financial Assets	Share (%)	31.12.2012	Pay (%)	31.12.2011
A-Unconsolidated Subsidiaries				
Ihlas Mining [a]	%56,02	328.185	%56,02	328.185
Provisions for Ihlas Mining Impairment (-)		(144.576)		(111.774)
B-Unconsolidated Associates				
Detes Maden Enerji ve Çevre Tek. Sis. Ltd Şti. [b]	-	-	%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
Provisions for Ihlas Gazetecilik Impairment / Appreciation		(28.869)		(177.375)
TOTAL		**1.470.663**		**1.364.959**

Based on their financial position as of December 31, 2012, and December 31, 2011, and operations ending on the same dates, subsidiaries which are not materially significant on a single or consolidated basis in the total consolidated financial statements are excluded from the consolidation. These subsidiaries are classified as "Assets-For-Sale Financial Assets" in the consolidated financial statements.

[a] Ihlas Mining, a company founded in Ghana on July 11, 2008, with a total capital share of $300,000 and 90 percent owned by the Company's subsidiary, Ihlas Madencilik A.Ş., is excluded from the consolidation since its financial statements as of December 31, 2011, are not materially significant in the consolidated financial statements, and its operations do not generate significant cash flow. The Company has no obligation towards this subsidiary except for the initial capital infusion; and the necessary impairment provision has been set aside.

[b] The company was merged with İhlas Kimya Ltd. Şti. during the fiscal year. Then, İhlas Kimya Ltd. Şti. was merged with Mir İç ve Dış Ticaret Ltd. Şti., changing its title to Mir Maden İşletmeciliği Enerji ve Kimya San. Tic. Ltd. Şti., subsequent to the mergers. The company is now being consolidated with the title, Mir Maden İşletmeciliği Enerji ve Kimya San. Tic. Ltd. Şti

[c] It has been valued based on market value, and impairments have been associated with other activity costs. Ihlas Gazetecilik A.Ş. shares are traded on the Istanbul Stock Exchange and its financial statements and reports are published on the Public Disclosure Platform quarterly. Financial statements for the Company's available-to-sell unconsolidated subsidiary, Ihlas Mining dated December 31, 2012 and December 31, 2011 along with the financial statement for previously unconsolidated Detes Ltd. dated December 31, 2012, are as follows:

Ihlas Mining (USD)	31.12.2012	31.12.2011
Current Assets	56.562	100.071
Fixed Assets	15.000	15.000
Short-Term Liabilities	-	-
Long-Term Liabilities	-	-
Equities	71.562	115.071
Net Sales	-	-
Current Net Profit/(Loss)	(3.877)	(6.200)

Unless otherwise stated, the amounts are in Turkish lira (TL)

Detes Ltd.	31.12.2011
Current Assets	42.175
Fixed Assets	834
Short-Term Liabilities	575.689
Long-Term Liabilities	-
Equities	(532.680)
Net Sales	32.430
Current Net Profit/(Loss)	(18.234)

Note 8 - Financial Liabilities

	31.12.2012	31.12.2011
Short-term financial liabilities	**-**	**61.377**
Bank loans	-	59.618
Financial Leasing Liabilities	-	1.759

A-) Bank Loans:

31.12.2012: None.

31.12.2011				
	Currency	Applied Interest Rate(%)	Maturity	Amount in TL
Short-Term Loans	TL	10-12	Up to three months	59.618
				59.618

The maturity analyses of bank loans as of December 31, 2012 and December 31, 2011 are shown below:

	31.12.2012	31.12.2011
Loans	**-**	**59.618**
- Loans with maturity of up to three months	-	59.618

B-) Financial Leasing Liabilities:

Currency	Maturity	31.12.2012	31.12.2011
EURO	Up to three months	-	1.759
		-	**1.759**

Unless otherwise stated, the amounts are in Turkish lira (TL)

The maturity analyses of financial leasing liabilities as of December 31, 2012 and December 31, 2011 are shown below:

	31.12.2012	31.12.2011
Financial Leasing Liabilities	**-**	**1.759**
- Financial Leasing Liabilities with maturity of up to three months	-	1.759

Financial leasing activities are reported with the lesser of fair value or current value of minimum lease payments. In the analyses conducted, it has been concluded that the fair value (purchasing price subtracted by down payments) is lesser than the current value of minimum lease payments. Financial leasing activities have been reported based on their fair value as of the dates of the balance sheets. Classification of financial liabilities, based on IAS 39 "Financial Instruments: Recognition and Measurement", have been established in Financial Instruments section of Note 2.

Note 9 - Other Financial Liabilities

	31.12.2012	31.12.2011
Other Financial Liabilities	**39.342.259**	**28.899.098**
Revolving Loans	39.342.259	28.899.098

Classification of other financial liabilities, based on IAS 39 "Financial Instruments: Recognition and Measurement", have been established in Financial Instruments section of Note 2.

Note 10 - Trade Receivables and Payables

	31.12.2012	31.12.2011
Trade Receivables from Related Parties (*)	13.951.131	2.947.757
- Gross Trade Receivables from Related Parties	15.003.028	3.198.116
- Provisions for Doubtful Receivables from Related Parties (-)	(1.377)	-
- Rediscount of Trade Receivables from Related Parties (-)	(1.050.520)	(250.359)
Other Trade Receivables	49.793.320	60.860.799
- Customers	6.025.529	6.989.409
- Post-dated che cks and promissory notes	50.676.053	59.847.672
- Rediscount on trade receivables (-)	(1.856.422)	(2.721.942)
- Less: doubtful receivables provisions	(5.051.840)	(3.254.340)
Short-Term Trade Receivables	**63.744.451**	**63.808.556**

The statements related with the provisions for doubtful trade receivables are shown below:

	31.12.2012	31.12.2011
Balance as of January 1	**(3.254.340)**	**(3.384.140)**
Provisions derived from mergers	(1.557.098)	-
Amount of current period provisions	(241.779)	-
Provisions that are no longer required in the period	-	129.800
Balance as of the end of the period	**(5.053.217)**	**(3.254.340)**

Unless otherwise stated, the amounts are in Turkish lira (TL)

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, 2012.

	31.12.2012	31.12.2011
Trade Payables to Related Parties [*]	686.246	591.036
- Gross Trade Payables to Related Parties	697.355	605.742
- Rediscount of Trade Payables to Related Parties (-)	(11.109)	(14.706)
- Other Trade Payables	33.427.257	41.405.366
- Customers	10.308.321	14.347.354
- Post-dated checks and promissory notes	23.158.283	27.138.620
- Rediscount on trade payables (-)	(39.347)	(80.608)
Short-Term Trade Payables	**34.113.503**	**41.996.402**

[*] Details are explained in Note 37.

Note 11– Other Receivables and Payables

	31.12.2012	31.12.2011
Other Short-Term Receivables	**12.343.662**	**899.109**
Other Receivables from Related Parties [*]	12.094.803	-
- Gross Other Receivables from Related Parties	13.409.635	-
- Rediscount of Other Receivables from Related Parties (-)	(1.314.832)	-
Other Receivables	248.859	899.109
- Deposits and collaterals	184.635	253.412
- Receivables from Tax Offices	64.224	450.840
- Ismet Uzkut	-	188.890
- Other Receivables	-	5.967
Other Long-Term Receivables	**245.031**	**231.262**
Deposits and collaterals	245.031	231.262
Other Short-Term Payables	**12.400**	**-**
Trade Payables to Related Parties [*]	12.400	-
Other Long-Term Liabilities	**-**	**-**

[*] Details are explained in Note 37.

Note 12 – Financial Receivables and Payables

None. (December 31, 2011: None.)

Unless otherwise stated, the amounts are in Turkish lira (TL)

Note 13 – Inventories

	31.12.2012	31.12.2011
Raw materials and supplies	27.697.849	27.365.739
Work in progress	978.186	233.731
Finished goods	1.235.565	330.567
Commodities	1.338.136	1.581.959
Other inventories (goods in transit) [a]	8.295.373	13.651.686
Provisions for inventory impairment (-)	(3.152.690)	(2.254.679)
Total	**36.392.419**	**40.909.003**

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

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

Provisions balance as of January 1	**(2.254.679)**
Provisions derived from mergers	(697.109)
Provisions for current year (-)	(200.902)
Provisions balance as of December 31	**(3.152.690)**

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

Note 14 – Live Assets

None. (December 31, 2011: None.)

Note 15 – Assets from Ongoing Construction Contracts

None. (December 31, 2011: None.)

Note 16 – Investments Appraised Using the Equity Method of Accounting

None. (December 31, 2011: None.)

Note 17 – Investment Properties

Current Reporting Period:

	01.01.2012	Inflows	Inflow from Mergers	Outflows [a]	Provision for impairment	31.12.2012
Cost						
Land	21.459.728	13.400	12.403	(4.650.000)	-	16.835.531
Buildings	37.649.055	-	-	(16.318.229)	(806.616)	20.524.210
Total	**59.108.783**	**13.400**	**12.403**	**(20.968.229)**	**(806.616)**	**37.359.741**

[a] Cari dönemde ilişkili firmalardan İhlas Pazarlama A.Ş.'ye, 12.07.2012 tarihinde Denge Gayrimenkul Değerleme ve Danışmanlık A.Ş. tarafından düzenlenmiş ekspertiz raporunda belirtilen 19.000.000 TL değer üzerinden satılmıştır (Bkz. Not 37).

Unless otherwise stated, the amounts are in Turkish lira (TL)

Previous Reporting Period

	01.01.2011	Inflows	Outflows	Provision for impairment	31.12.2011
Cost					
Land	4.975.000	16.484.728	-	-	21.459.728
Buildings	34.008.017	4.515.272	-	(874.234)	37.649.055
Total	**38.983.017**	**21.000.000**	**-**	**(874.234)**	**59.108.783**

Details of the inflows in 2011 are shown in the table below:

Tangible Fixed Assets	Inspection Dates	Net Inspection Values	Purchasing Price
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 on Istanbul province, Bahçelievler District, Yenibosna neighborhood, Plot no 24, Lot no 10913.

The total amounts of mortgages on the Group's investment properties are $22,750,000 and 10,000,000 Turkish lira (31.12.2010: $22,750,000 and 10,000,000 Turkish lira).

The Group has generated rent income in the amount of 1,516,360 Turkish lira from its investment properties during the current reporting period. (Previous year: 1,079,964 Turkish lira).

Note 18 – Tangible Fixed Assets

Current Reporting Period

	01.01.2012	Inflows	Inflow from Mergers	Outflows	31.12.2012
Cost					
Land, facilities, and underground setups	267.214	-	-	-	267.214
Machinery, plants, and equipment	4.662.022	280.459	-	-	4.942.481
Furniture, fixtures, and vehicles	10.621.729	2.149.697	4.175	(63.434)	12.712.167
Total	**15.550.965**	**2.430.156**	**4.175**	**(63.434)**	**17.921.862**
Less accumulated depreciation					
Facilities and underground setups	(168.889)	(34.917)	-	-	(203.806)
Machinery, plants, and equipment	(2.887.389)	(627.251)	-	-	(3.514.640)
Furniture, fixtures, and vehicles	(8.136.787)	(948.989)	(5)	61.983	(9.023.798)
Total	**(11.193.065)**	**(1.611.157)**	**(5)**	**61.983**	**(12.742.244)**
Net Tangible Fixed Assets	**4.357.900**				**5.179.618**

Footnotes to the Consolidated Financial Statements

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Footnotes to the Consolidated Financial Statements as of December 31, 2012
Unless otherwise stated, the amounts are in Turkish lira (TL)

Previous Reporting Period

	01.01.2011	Inflows	Outflows	31.12.2011
Cost				
Land, facilities, and underground setups	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				
Facilities and underground setups	(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)**
Net Tangible Fixed Assets	**4.966.175**			**4.357.900**

There are no mortgages on the Group's securities as of the date of the balance sheet. (December 31, 2011: €230,000)
Fixed asset acquired through financial leasing:

Current Reporting Period	**01.01.2012**	**Inflows**	**Outflows**	**31.12.2012**
Machinery, plants, and equipment	2.169.749	-	-	2.169.749
Total	**2.169.749**	**-**	**-**	**2.169.749**
Less accumulated depreciation				
Machinery, plants, and equipment		(448.328)	-	(1.599.378)
Total		**(448.328)**	**-**	**(1.599.378)**
Net Tangible Fixed Assets				**570.371**

Current Reporting Period	**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)**
Net Tangible Fixed Assets	**1.313.966**			**1.018.699**

Unless otherwise stated, the amounts are in Turkish lira (TL)

The fully depreciated tangible fixed assets still used by the Company are given below:

	31.12.2012
Facilities and underground setups	92.675
Machinery, plants, and equipment	2.559.258
Furniture, fixtures, and vehicles	6.886.495
Total	**9.538.428**

(*) In the current reporting period, there has been a fully depreciated furniture and fixture outflow in the amount of 61,983 Turkish lira (net asset value of "0").

Note 19 – Intangible Fixed Assets

Current Reporting Period

	01.01.2012	Inflows	Inflow from Mergers	Transfers	31.12.2012
Cost					
Exploration Expenses	2.452.091	202.667	-	93.912	2.748.670
Rights	9.802.445	213.259	1	-	10.015.705
Other Intangible Fixed Assets	1.461.234	144.584	-	(93.912)	1.511.906
Total	**13.715.770**	**560.510**	**1**	**-**	**14.276.281**
Less accumulated amortization					
Exploration Expenses	(1.757.779)	(14.087)	-	(21.890)	(1.793.756)
Rights	(5.600.237)	-	-	-	(5.600.237)
Other Intangible Fixed Assets	(1.045.673)	(72.330)	-	21.890	(1.096.113)
Total	**(8.403.689)**	**(86.417)**	**-**	**-**	**(8.490.106)**
InNet Tangible Fixed Assets	**5.312.081**				**5.786.175**

Unless otherwise stated, the amounts are in Turkish lira (TL)

Previous Reporting Period

	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)**
InNet Tangible Fixed Assets	**893.195**			**5.312.081**

There are no pledges, restrictions or mortgages on the intangible fixed assets of the Company. (December 31, 2011: None.)
The fully depreciated tangible fixed assets still used by the Company are given below:

	31.12.2012
Exploration Expenses	1.757.779
Rights	3.139.170
Other Intangible Fixed Assets	897.946
Total	**5.794.895**

Note 20 – Goodwill

Flow charts of goodwill as of December 31, 2012 and December 31, 2011 are shown below:

	31.12.2012	31.12.2011
Balance as of January 1	**39.923.002**	**41.730.348**
Inflow (Note 3)	-	-
Provisions for impairment during the current reporting period	(2.202.497)	(1.807.346)
Balance as of December 31	**37.720.505**	**39.923.002**

During the impairment analyses conducted regarding goodwill as of December 31, 2012 and on December 31, 2011, the Group has compared the goodwill carried on to the consolidated financial statements with the usage value of the unit that is generating cash. As a result, the provisions for the goodwill impairment of 2,202,497 Turkish lira in the current reporting period was related to other costs. (Previous year: 1,807,346 Turkish lira)
Assumptions used in the goodwill impairment test are as follows:

- Within the scope of the Financial Assets Pricing Model, a discount rate of Weighted Average of Cost of Capital calculated to be between 13 percent and 18 percent was used.

Unless otherwise stated, the amounts are in Turkish lira (TL)

• Projections have been carried to infinity with the calculated discount rate.

• Inflation rate estimations for the two years following the current reporting period were based on the expectations of the Central Bank of Republic of Turkey.

• The course of the industry in which the Company whose goodwill was calculated for sales income during the projection period was taken as the fundamental basis.

Goodwill carried onto the consolidated financial statements are derived from the acquisition of the companies below:

	31.12.2012	31.12.2011
Ihlas Madencilik	33.738.427	35.940.924
Mir Maden	3.982.078	3.982.078
Total goodwill	**37.720.505**	**39.923.002**

Note 21 – Government Incentives and Aid

None. (December 31, 2011: None.)

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

-Provisions:

	31.12.2012	31.12.2011
Long-Term	**781.053**	**1.065.584**
Warranty Provisions	692.503	963.314
Lawsuit Provisions	88.550	102.270

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

Warranty Provisions	31.12.2012	31.12.2011
Balance as of January 1	**963.314**	**2.033.681**
Terminated Provisions	(270.811)	(1.070.367)
Balance as of December 31	**692.503**	**963.314**

Lawsuit Provisions	31.12.2012	31.12.2011
Balance as of January 1	**102.270**	**103.948**
Terminated Provisions	(13.720)	(1.678)
Balance as of December 31	**88.550**	**102.270**

-Contingent Assets and Liabilities and Commitments:

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

Tables related to Guarantees, Pledges and Mortgages ("GPM") of the Company as of December 31, 2012, and December 31, 2011 are as follows:

Footnotes to the Consolidated Financial Statements

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GPMs Issued by the Group (31.12.2012)	USD Balance	Euro Balance	TL Balance	TOTAL (TL)
A. Total GPMs issued in the Parent company's own favor	4.651.126	766.008	74.187.484	84.280.003
B-1. Total GPMs issued in favor of subsidiaries and affiliates included in full consolidation of the Parent company	-	27.200.000	-	63.966.240
B-2. Total GPMs subsidiaries and affiliates included within the full consolidation issued in their own favor and to each other	-	-	1.329.980	1.329.980
C. Total GPMs issued to cover other third-party obligations for the Group to sustain its regular trade operations	-	-	12.664.531	12.664.531
D. Total other GPMs issued	23.112.230	225.000	13.303.774	55.032.768
i. Total GPMs issued in favor of parent company	22.850.000	-	13.208.000	53.940.410
ii. Total GPMs issued in favor of other Group companies not covered in items B and C	262.230	225.000	95.774	1.092.358
iii. Total GPMs issued in favor of third parties not covered in item C	-	-	-	-
Total	**27.763.356**	**28.191.008**	**101.485.769**	**217.273.522**
Total Company Equity				218.126.699
Share of total GPMs issued by the Group in the Group's equity				**25%**

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

Details regarding the disclosure on the contingent assets, liabilities, and commitments given in the GPM table above are listed below:
- Detes Enerji, one of the Company's subsidiaries, signed a purchase and consultancy services contract for €30,200,000 on May 15, 2008, with the engineering firm Envirotherm GmbH based in Essen, Germany, for relocating (dismantling, transferring, reinstalling) and commissioning the production facilities comprising the British Gas Lurgi (BGL) gasifier and methanol units from Germany to Turkey to be used for energy production with German Lurgi patented BGL gasifiers to covert solid fuels to energy in a highly efficient and environmentally safe operation. The Company signed the contract as the guarantor. According to the provisions of this contract, the subsidiary Detes Enerji made an advanced payment of €3,000,000 to Envirotherm GmbH in 2008. The Company's guarantee

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amount resumes to be €27,200,000 as of the reporting date (December 31, 2011: €27,200,000). (Classified under the GPMs Issued in Favor of the Group companies included in the full consolidation.)
-Because of the loans used by the Company, the Company's nominal share of 14,489,711 Turkish lira, which has a market value of 57,299,273 Turkish lira, in its subsidiary Ihlas Madencilik A.Ş., has been blocked. (December 31, 2011: Nominal: 20,034,711 Turkish lira - Market Value: 57,299,273 TL) (Classified as GPMs issued in the parent company's own favor.)
-The Company has issued a guarantee for 12,664,531 Turkish lira in the favor of its associate, Ihlas Pazarlama A.Ş., during the current reporting period. (Classified as GPMs issued to cover other third-party obligations for the Group to sustain its regular trade operations.)
b) The amount of mortgages and other commitments received for the Company's receivables is $28,451,000. This amount consists of collateral bills and checks received from branch companies and Ihlas Pazarlama A.Ş., with whom it has a distributorship agreement. (December 31, 2011: $28,451,000).
c-) A summary of lawsuit and foreclosure litigation in favor of the Company as of December 31, 2010, are shown in the table below:

	Number of Shares	Amount
Pending litigation initiated by the Group	11	96.955
Foreclosure proceedings filed by the Group	10	466.122
Pending lawsuits against the Company [*]	29	7.172.522
Foreclosure proceedings filed against the Group	4	13.776

[*] Of the pending lawsuits against the Company, 6,821,384 Turkish lira is related to Ihlas Madencilik of the Group companies. Material events disclosure issued by Ihlas Madencilik on February 27, 2013 reads as follows: *Previously, in our material events disclosure on April 29, 2011, we had announced that our Company would pay its debt, capital and its accessories, in the sum of 5,210,784 Turkish lira to Toroslar Elektrik Dağıtım A.Ş. in 18 installments over 36 months, within the scope of the Law No. 6111 "Restructuring of Certain Receivables and Amendment to the Law of Social Insurance and General Health Insurance and Certain Other Laws and Decree Laws". Later, with the material events disclosure we have issued on November 14, 2011, we had disclosed to the public that as a result of the examination of the systems of Toroslar Elektrik Dağıtım A.Ş., our debt was recalculated to be 4,184,267 Turkish lira. Since the day an installment plan has been applied to our debt, our Company has been paying its installments to Toroslar Elektrik Dağıtım A.Ş. regularly, in full compliance with the law. The sum of our remaining debt is 1,859,668 Turkish lira. The first upcoming payment as of today will be on February 28, 2013; and will continue to be paid in the sum of 232,459 Turkish lira on every other month. There are a total of eight installments remaining and the payments will be completed on April 30, 2014. After our disclosures summarized above, we have issued another disclosure on June 6, 2012 stating that a payment order from proceedings without judgment for 6,821,383.50 Turkish lira has been sent by the Gaziantep 12th Bailiff's Office on behalf of Gaziantep Provincial Directorate of Toroslar Edaş. It has been understood that our Company has no other debt than the one to Toroslar Edaş, which has been restructured into installments within the scope of Law No. 6111 and is being paid, as described above. Furthermore, according to the research conducted by our Company, the debt in the amount of 6,821,383.50 Turkish lira described above belongs to Tampa Tekstil A.Ş., which is an affiliation of Okan Group who is the former owner of Okan Tekstil ve Sanayi Ticaret A.Ş., which was transferred over to and merged with former Ihlas Madencilik A.Ş. Moreover, Tampa Tekstil had restructured its debt in line with Law No 6111; however, because of the disruptions in the payments, the installment restructuring was abolished. All of these findings have been shared with the public in the disclosure dated June 6, 2012 and the execution for debt was stopped by contest. Based on the new written notice we have received, an appeal has been filed by the Gaziantep Provincial Directorate of Toroslar Edaş through the Basic Commercial Court of Gaziantep against the contest we have described above. We would like to state that although Tampa Tekstil, who was the lessee of our Company between November 5, 2003 and March 29, 2006, wanted to sign a subscription agreement with Toroslar Edaş in 2003, Toroslar Edaş decided not to sign a subscription agreement. Later, Tampa Tekstil contested against this decision of Toroslar Edaş by applying to the administrative court and was granted a void of judgment. Thus, Tampa Tekstil was granted the right to sign a subscription agreement retrospec-*

Unless otherwise stated, the amounts are in Turkish lira (TL)

tively for past periods as well. Including the time elapsed during the proceedings, Tampa Tekstil has consumed electricity throughout the period of the lease. This consumption was declared to Toroslar Edaş by Tampa Tekstil, and a court ruling was issued. Finally, as described above, Tampa Tekstil had restructured all of the debt incurred from its usage within the scope of Law No. 6111, separately from our Company's debts. Although Tampa Tekstil and Toroslar Edaş have mutually signed a protocol, it is very clear that Toroslar Edaş is unlawfully asking for the payment of this debt from our Company, whose name or signature is not on the aforementioned protocol. Our Company does not have such a debt. Since asking for the payment of another company's debt to be done by our Company is unjust and unlawful, our Company will take the necessary legal actions on time." Since it is highly likely that we will win this ongoing lawsuit, we have not set aside any provisions for it.

The Company reserved total provisions of 88,550 Turkish lira (December 31, 2011: 102,270 Turkish lira) for the lawsuits brought against the Company as of December 31, 2012, and did not set aside any provisions for lawsuits where the probability of winning the case was strong.

Note 24 – Employee Benefits

	31.12.2012	31.12.2011
Short-Term	-	-
Long-Term	**2.539.085**	**1.897.987**
Termination Benefit Provisions	2.539.085	1.897.987

According to the Labor Act, the Company is legally required to pay termination benefits to an employee who has been terminated for no particular reason, drafted into the military, retired upon reaching retirement age after 25 years of service for males and 20 years for females, or who died after a twelve-month employment period (minimum). As of December 31, 2012, the termination benefit amount is equivalent to one month's salary, not to exceed 3,033.98 Turkish lira per year of service (December 31, 2011: 2,365.16 TL). Currently, no regulations exist for retirement commitments aside from the legal requirements delineated above. No funds were allocated for such a liability since there are no requirements for allocating such funds. Termination benefit provisions were based on the estimated value of the Company's possible future liabilities arising from employee retirements as of the reporting date.

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

	31.12.2012	31.12.2011
Discount rate	3.81%	4.25%
Non-payment rate of severance provisions	5%	4%

(*) The effect of the discount amount, which was altered due to the changes in the actuarial assumptions, on the provision for severance pay amount is 122,680 Turkish lira.

	31.12.2012	31.12.2011
Provisions balance as of January 1	**1.897.987**	**1.092.263**
Payments in the period	(166.295)	(172.728)
Increases/(Decreases) in the period	807.393	978.452
Year-end provisions	**2.539.085**	**1.897.987**

Note 25 - Retirement Benefit Plans

Currently, no regulations exist for retirement commitments aside from the legal requirements delineated in Note 24.

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Note 26- Other Assets and Liabilities

	31.12.2012	31.12.2011
Other Current Assets	**8.144.102**	**14.549.302**
Advance Payments for Purchase Orders	4.564.814	10.584.758
- Advance Payments to Related Parties	96.868	-
- Other	4.467.946	10.584.758
Carry Forward Sales Tax (KDV)	3.046.728	2.944.543
Work Related Advance Payments	451.145	894.743
Prepaid Expenses	80.059	92.927
Prepaid Taxes and Funds	1.356	32.331
Other Fixed Assets	**36.851**	**56.313**
Advance Payments	36.851	56.313

	31.12.2012	31.12.2011
Short-Term Other Liabilities	**5.030.348**	**4.204.816**
Advances Received for Purchase Orders	1.232.020	109.030
- Advances Received from Related Parties	45.877	32.895
- Other	1.186.143	76.135
TEDAŞ late fees payable (*)	1.394.756	1.450.424
Taxes, Duties and Other Withholding Payables	1.173.697	1.016.606
Payables to Employees	617.162	553.314
Deferred Government Receivables on an Installment Plan	482.715	921.224
Other	129.998	38.641
Provisions for Other Expenses and Liabilities	-	115.577
Long-Term Other Liabilities	**606.089**	**2.346.406**
TEDAŞ late fees payable (*)	464.919	1.933.898
Deferred Government Receivables on an Installment Plan	141.170	412.508

(*) Consists of the debt of Ihlas Madencilik, a Group company, to Tedaş. These debts have been restructured into installments in 2011 within the scope of the Law No. 6111 "Restructuring of Certain Receivables and Amendment to the Law of Social Insurance and General Health Insurance and Certain Other Laws and Decree Laws".

Unless otherwise stated, the amounts are in Turkish lira (TL)

Note 27 - Equities

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 kuruş.
As of December 31, 2012, and December 31, 201, both the Company's registered and issued capital and capital structure were as follows:

	31.12.2012		31.12.2011	
Title	Share (%)	Share Amount (TL)	Share (%)	Share Amount (TL)
Ihlas Pazarlama Yatırım Holding A.Ş. [1]	17,60	33.681.000	17,60	33.681.000
Ihlas Holding A.Ş. [1] [2]	7,32	14.000.000	7,32	14.000.000
Open to the Public	74,83	143.205.723	74,83	143.205.723
Other	0,25	483.278	0,25	483.278
Total	**100,00**	**191.370.001**	**100,00**	**191.370.001**

[1] Real and legal entities that own the capital indirectly:

	31.12.2012		31.12.2011	
Title	Share (%)	Share Amount (TL)	Share (%)	Share Amount (TL)
Enver Ören [3]	2,48	4.731.793	2,69	5.145.605
Open to the Public	20,68	39.581.890	19,95	38.171.510
Other	1,76	3.367.317	2,28	4.363.885
TOTAL	**24,92**	**47.681.000**	**24,92**	**47.681.000**

[2] The Parent Company of the Group, Ihlas Holding A.Ş., issued a lot of 8,000,000 (4.18 percent) company shares to Lehman Brothers as a deposit according to an options contract ending on July 24, 2009. Research and analyses conducted by Ihlas Holding A.Ş. revealed that Lehman Brothers Holdings Inc., New York, filed for bankruptcy and that the options contract of Ihlas Holding A.Ş. with Lehman Brothers Finance S.A. was in a state of insolvency. Accordingly, Ihlas Holding A.Ş. officially initiated the process for the return of the lot of 8,000,000 company shares (IHEVA) issued to Lehman Brothers Finance S.A. as a deposit on November 28, 2008. The Parent Company of the Group, Ihlas Holding A.Ş., filed for an interim court injunction on the 8,000,000-share deposit to prevent any possible risks; the court granted an interim injunction on March 6, 2009. Following the injunction request, within the allowed time frame, on March 13, 2009, Ihlas Holding A.Ş. filed for the return of the deposit shares, or for the payment of the value of the shares on the date of return if unable to do so. The case has ended on April 16, 2012; and the mentioned shares have been returned to Ihlas Holding A.Ş.
The Company's shareholders elect two, three, or four of the Members of the Board of Directors, depending on whether the Board consists of three, five, or seven members, respectively, from the candidates nominated by shareholders from group (A). The Company's shareholders elect one or two of the auditors, depending on whether the shareholders choose to appoint one or three auditors, respectively, from the candidates nominated by the shareholders from group (A). The other auditor is elected by the shareholders from among the nominated shareholders present at the General Shareholders Meeting.
[3] Enver Ören, one of the indirect shareholders of the Company, has passed away after the date of the balance sheet. The indirect shareholder structure has not yet been clarified as of the date of the report.

Unless otherwise stated, the amounts are in Turkish lira (TL)

The Company Board of Directors has applied to CMB on February 14, 2013 regarding the amendment of the Articles of Association in order to comply with the Turkish Commercial Code No. 6102. Details regarding this issue can be found in Note 40.
The distribution of the Company's preferred shares (Group A shares) is as follows:

Partner Name / Title	Series	Group	Bearer/ Registered	Number of Shares	AMOUNT	Rights
Ihlas Pazarlama Yatırım Holding A.Ş.	I	A	Bearer	4,049,920	40,499	Elect Majority of the Members of the Board of Directors and Board of Auditors
Ahmet Mücahid Ören	I	A	Bearer	647,040	6,470	Elect Majority of the Members of the Board of Directors and Board of Auditors
Ali Tubay Gölbaşı	I	A	Bearer	156,180	1,562	Elect Majority of the Members of the Board of Directors and Board of Auditors

	31.12.2012	31.12.2011
B. Stock Issue Premiums	**6.534.581**	**6.534.581**
C. Revaluation Reserves	-	-
D. Cross-Ownership Capital Adjustments (-)	-	-
E. Currency Exchange Differences	-	-
F. Other Equity Reserves (*)	**4.890.469**	**4.890.469**

(*) This is the share of the 7,856,558 Turkish lira has been liberated as the "additional capital contribution from the merger" as a result of the capital decrease in the process of the merger between Bayındır Madencilik A.Ş. and Ihlas Madencilik A.Ş., a Group company.

G. Restricted Reserves from Profits

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

	31.12.2012	31.12.2011
Reserves from Profit	**2.865.403**	**1.887.847**
Statutory Reserves	1.753.558	1.753.558
Special Reserves (*)	1.111.845	134.289

(*) Of the special reserves, 933,433 Turkish lira is derived from the company merger during the current reporting period. It constitutes as the capital reserves that have been paid to the company by the shareholder so that the capital is not lost according to the Turkish Commercial Code. Of this amount, 41,123 Turkish lira consists of TUBITAK Research and Development Incentive and the remaining 134,289 Turkish lira consists of other profit reserves.

Unless otherwise stated, the amounts are in Turkish lira (TL)

H. Profit/(Loss) from Previous Years

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

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

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

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

Profit and loss transactions of the Company in the current reporting period are shown below:

	31.12.2012
Balance as of January 1	**3.467.180**
Profit / loss from previous year	(26.171.540)
Effect of mergers and effective share adjustments of subsidiary	(2.207.412)
Balance as of December 31	**(24.911.772)**

According to Capital Markets Board (CMB) Decree No. 02/51 published in the "Weekly Bulletin" No. 2010/4, effective January 27, 2010, there will be no mandatory minimum payout ratio for companies with stocks publicly traded on the stock exchanges. The Company decided to distribute profits within the scopes of the provisions of the companies' Articles of Associations, the profit distribution policies disclosed to the public, and 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; this amount can be retained within the Company instead of being distributed. After statutory reserves, taxes, fund and financial payments, and previous year losses, if any, have been deducted from the Company's current year profit based on IAS/IFRS and statutory accounting records, the Company does not have any distributable profit. The calculations are shown in the table below:

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	According to IAS/IFRS	According to statutory records (solo)
Period profit (excluding minority shares)	26.260.605	351.780
Taxes To Be Paid	(5.968.557)	-
Current Net Profit/(Loss)	20.292.048	351.780
Loss from Previous Years	(24.911.772)	(4.366.843)
Statutory reserves	-	-
Net distributable period profit	**-**	**-**

I. Minority Shares

The transactions of the Company's minority shares for the relevant periods are depicted in the table below:

	31.12.2012	31.12.2011
Opening balance	**21.476.572**	**26.574.616**
Effect of mergers and effective share adjustments of subsidiary	(1.729.838)	(8.311.307)
Non-Parent Profit/(Loss)	(2.660.765)	247.174
Additional equity capital from the merger (Note 3)	-	2.966.089
Balance as of December 31	**17.085.969**	**21.476.572**

Note 28 - Sales and Cost of Sales

	Jan 1 - Dec 31, 2012	Jan 1 - Dec 31, 2011
Domestic Sales	83.769.829	85.204.135
Export Sales	17.461.056	14.145.059
Other Sales	330.530	172.555
Total Gross Sales	**101.561.415**	**99.521.749**
Sales Discounts (-)	(21.055)	(13.209)
Net Sales	**101.540.360**	**99.508.540**
Cost of Sales (-)	(90.272.373)	(92.807.844)
GROSS SALES PROFIT	**11.267.987**	**6.700.696**

Unless otherwise stated, the amounts are in Turkish lira (TL)

Cost of Sales of the Group are shown below:

	Jan 1 - Dec 31, 2012	Jan 1 - Dec 31, 2011
Raw materials, supplies, and merchandise	(88.402.654)	(89.566.489)
Employee costs	(3.192.174)	(3.183.426)
Depreciation and amortization costs	(1.135.478)	(1.164.451)
Meal and transportation costs	(342.645)	(343.683)
Electricity and heating costs	(146.992)	(169.716)
Rent costs	(662.476)	(401.644)
Other	(323.863)	(709.290)
Transfer of delay interest related to purchases from cost of sales to financial costs	3.933.909	2.730.855
Cost of Sales	**(90.272.373)**	**(92.807.844)**

Units sold in the reporting period for each main sales group of Ihlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi are as follows:

Product Groups	**Jan 1 - Dec 31, 2012**	**Jan 1 - Dec 31, 2011**
Home Appliances Group	**Quantity (Units)**	**Quantity (Units)**
Electric Water Heaters Group	163.025	166.580
Water Treatment Group	94.833	99.305
Cleaning Robot	57.056	69.190
Electric Heaters	25.401	22.221
Carpet Cleaners - Vacuum Cleaners	9.146	6.182
Tea Sets	5.456	5.839
Scales	1.302	2.283

Unless otherwise stated, the amounts are in Turkish lira (TL)

Moreover, the Company sells products that it does not produce but buys from the market, like ventilators, blenders, counter-top stoves, electric heaters, ventilation hoods, grills, humidifying coolers, irons, etc.
Units produced in the reporting period for each main production group of Ihlas Ev Aletleri İmalat Sanayi ve Ticaret Anonim Şirketi are as follows:

Product Groups	Jan 1 - Dec 31, 2012	Jan 1 - Dec 31, 2011
Home Appliances Group	**Birim (Adet)**	**Birim (Adet)**
Electric Water Heaters Group	164.002	167.010
Water Treatment Group	95.190	99.320
Cleaning Robot	57.506	69.191
Electric Heaters	25.079	22.550
Carpet Cleaners - Vacuum Cleaners	8.459	6.870
Tea Sets	5.586	5.841
Scales	1.302	2.283

Note 29 – Operating Costs

	Jan 1 - Dec 31, 2012	Jan 1 - Dec 31, 2011
Marketing, Sales, and Distribution Costs	(2.564.585)	(2.385.887)
General Administrative Costs	(9.313.044)	(9.655.228)
Research and Development Costs	(1.230.119)	(1.032.997)
Total Operating Costs	**(13.107.748)**	**(13.074.112)**

Note 30 – Segmented Costs

	Jan 1 - Dec 31, 2012	Jan 1 - Dec 31, 2011
Marketing, Sales, and Distribution Costs	**(2.564.585)**	**(2.385.887)**
Employee Costs	(774.051)	(721.044)
Warranty Costs	(558.410)	(751.484)
Export Costs	(395.579)	(98.392)
Distribution and Transportation Costs	(369.610)	(368.036)
Rent Costs	(191.034)	-
Advertisement Costs	(29.353)	(32.089)
TSE Patent vb. Costs	(25.017)	(30.257)
Utilities (Electricity, water, heating) Costs	(21.273)	(22.287)
Quality Certification Costs	(19.763)	(82.425)
Domestic and International Travel Costs	(5.583)	(61.095)

Unless otherwise stated, the amounts are in Turkish lira (TL)

Free Sample Distribution Costs	(241)	(15.695)
Other Sales and Marketing Costs	(174.671)	(203.083)
General Administrative Costs	**(9.313.044)**	**(9.655.228)**
Employee Costs	(4.095.824)	(3.718.900)
Notary Public, Taxes, Duties and Other Such Costs	(750.482)	(474.551)
Termination Benefit Provision Costs	(647.806)	(839.279)
Depreciation and Amortization Costs	(562.096)	(583.352)
Building Cleaning and Security Costs	(536.036)	(680.824)
Work Related Advance Payments Provision Costs	(499.165)	-
Auditing and Consultancy Costs	(299.125)	(582.651)
Repair, Maintenance, and Energy Costs	(278.036)	(156.361)
Rent Costs	(244.401)	(720.379)
Doubtful Receivables Provision Costs	(241.779)	-
Domestic and International Travel Costs	(167.756)	(87.182)
General Assembly, CRA, and ISE Listing Costs	(150.040)	(350.296)
Insurance Costs	(106.493)	(63.966)
Communication and Stationary Costs	(62.347)	(59.527)
Lawsuit Costs	-	(523.576)
Other General Administrative Costs	(671.658)	(814.384)
Research and Development Costs	**(1.230.119)**	**(1.032.997)**
Employee Costs	(810.180)	(834.159)
Project Costs	(344.664)	(151.572)
Rent Costs	(59.188)	(30.000)
Other Exploration Costs	(16.087)	(17.266)

The details of depreciation and amortization costs are given below:

	Jan 1 - Dec 31, 2012	Jan 1 - Dec 31, 2011
Cost of Sales	(1.135.478)	(1.164.451)
General Administrative Costs	(562.096)	(583.352)
Total	**(1.697.574)**	**(1.747.803)**

Unless otherwise stated, the amounts are in Turkish lira (TL)

Detail of employee costs in the operational costs table is as follows:

	Jan 1 - Dec 31, 2012	Jan 1 - Dec 31, 2011
Gross Salary Costs	(5.102.945)	(4.621.007)
Other Costs	(577.110)	(653.096)
Total	**(5.680.055)**	**(5.274.103)**

Details of the termination benefits provision costs are as follows:

	Jan 1 - Dec 31, 2012	Jan 1 - Dec 31, 2011
Cost of Sales	(159.587)	(139.173)
General Administrative Costs	(647.806)	(839.279)
Total	**(807.393)**	**(978.452)**

Note 31 - Other Operating Income and Costs

	Jan 1 - Dec 31, 2012	Jan 1 - Dec 31, 2011
Other Income:	**43.265.008**	**12.983.376**
Appraisal and Sales Profit of Financial Investments	40.201.920	5.130.256
Terminated Warranty Provisions	270.811	2.033.681
Terminated Lawsuit Provisions	13.720	103.948
Other Terminated Provisions	303.801	151.753
Rent Income	1.516.360	1.079.964
Government Incentives (Social Security Institution Treasury Discount)	347.561	370.314
Terminated Provisions for Long Term Financial Investment Impairments	148.506	-
Securities Sales Profit	10.845	777.019
Terminated Electricity Payables	-	2.591.167
Returned Lawsuit Fees	-	274.899
Other	451.484	470.375

Unless otherwise stated, the amounts are in Turkish lira (TL)

	Jan 1 - Dec 31, 2012	Jan 1 - Dec 31, 2011
Other Costs:	**(12.571.495)**	**(34.357.930)**
Impairment provisions for financial Investments and Sales Losses	(7.480.711)	(28.690.757)
Goodwill Impairment Provisions	(2.202.497)	(1.807.346)
Securities Sales Loss	(1.968.347)	-
Impairment Provisions for Held-for-Sale Assets	(806.616)	(874.234)
Commission Fees	(47.862)	-
Impairment Provisions for Long Term Financial Investments	(32.802)	(177.375)
Warranty Provisions	-	(963.314)
Tax Costs in Scope of Law no 6111	-	(963.143)
Lawsuit Costs	-	(305.876)
Doubtful Trade Receivables Provisions	-	(226.209)
Lawsuit Provisions	-	(102.270)
Other	(32.660)	(247.406)

Note 32 - Financial Income

	Jan 1 - Dec 31, 2012	Jan 1 - Dec 31, 2011
Financial Income :	**14.166.108**	**11.338.316**
Financial Income from Forward Sales	8.087.632	6.808.150
Currency Exchange Difference Income	4.435.292	2.398.029
Interest Income	1.631.205	2.066.377
Profit from Sales of Securities	11.979	65.760

Note 33 – Financial Costs

	Jan 1 - Dec 31, 2012	Jan 1 - Dec 31, 2011
Financial Costs :	**(19.420.020)**	**(15.633.495)**
Interest Costs	(9.764.195)	(3.576.019)
Financial Cost from Forward Purchases	(6.297.676)	(6.577.624)
Currency Exchange Difference Cost	(3.358.149)	(5.479.852)

Unless otherwise stated, the amounts are in Turkish lira (TL)

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

A. Held-for-Sale Fixed Assets

None. (December 31, 2011: None.)

B. Discontinued Operations

None. (January 1 - December 31, 2011: None.)

Note 35 – Tax Assets and Liabilities

A. Tax Assets and Liabilities for the Current Reporting Period

Corporate tax rate is 20 percent.

Profit shares (dividends) paid to domestic organizations in Turkey, and to organizations that generate income through a business or a permanent agency office in Turkey, are not subject to withholding tax. All other dividend payments are subject to a 15 percent withholding tax. Profits transferred to capital are not considered profit distributions and no withholding taxes apply. Companies pay 20 percent in estimated income withholding taxes on their quarterly financial income. Quarterly estimated withholding taxes apply to the year the estimated taxes are paid and are deducted from corporate taxes on the income tax returns submitted the subsequent year.

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

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

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

As of December 31, 2012, and December 31, 2011, the main components of tax expenses are as follows:

	31.12.2012	31.12.2011
Year-end Profit Tax Liabilities	-	-

Income Statement	Jan 1 - Dec 31, 2012	Jan 1 - Dec 31, 2011
Reporting period corporate tax provisions	-	-
Deferred taxes (Cost)/Income	(5.968.557)	6.118.783
Tax reflected on the income statement		**6.118.783**

B. Deferred Taxes Assets and Liabilities

The Group calculates deferred tax assets and liabilities on income, taking into consideration the effects of temporary differences that arise from different treatments of balance sheet items in the financial statements according to IFRS and statutory reporting regulations. These temporary differences generally arise from the differences in revenue and expense recognition in different annual reporting periods according to the IFRS and tax codes.

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

Unless otherwise stated, the amounts are in Turkish lira (TL)

As of December 31, 2012, and December 31, 2011, the breakdown of accumulated temporary differences and deferred tax assets and liabilities using the tax rates in effect are as follows:

	31.12.2012		31.12.2011	
	Total	Deferred Tax Assets /	Total	Deferred Tax Asset /
	Temporary Differences	(Liabilities)	Temporary Differences	(Liabilities)
Deferred Tax Liabilities				
Financial assets appraisal	(16.326.448)	(3.265.289)	(1.411.329)	(282.266)
Temporary differences for tangible assets	(1.898.030)	(379.606)	(7.747.903)	(1.549.581)
Payables rediscount	(70.749)	(14.150)	(83.718)	(16.743)
Temporary differences for intangible assets	(61.083)	(12.217)	(137.224)	(27.445)
Gross deferred tax liabilities	**(18.356.310)**	**(3.671.262)**	**(9.380.174)**	**(1.876.035)**
Deferred tax assets				
Temporary differences for intangible assets	5.582.348	1.116.469	7.725.187	1.545.037
Receivables rediscount	4.278.587	855.717	3.553.682	710.736
Termination benefit provisions	2.539.085	507.817	1.897.987	379.597
Investment discount (Research and Development Discount)	1.878.939	375.788	-	-
Inventories impairment provisions	1.267.283	253.457	1.112.081	222.417
Interests recognized as cost	918.031	183.606	-	-
Warranty provision costs	692.503	138.501	963.314	192.663
Work related advance payments provision costs	527.262	105.452	28.097	5.619
Loan interest accrued	330.222	66.044	-	-
Financial asset impairment provisions	202.500	40.500	16.571.830	3.314.366
Doubtful receivables provisions	184.734	36.947	283.254	56.651
Lawsuit provisions	88.550	17.710	102.270	20.454
Temporary differences for tangible assets	-	-	409.334	81.867
Deposits and collaterals	-	-	24.821	4.964
Financial loss not discounted	16.545.523	3.309.105	23.230.355	4.646.072
Gross deferred tax assets	**35.035.567**	**7.007.113**	**55.902.212**	**11.180.443**
Net deferred tax assets	**16.679.257**	**3.335.851**	**46.522.038**	**9.304.408**

The transactions for net deferred tax assets are shown below:

	31.12.2012	31.12.2011
Balance as of January 1	**9.304.408**	**3.185.625**
Deferred taxes income/(cost) recognized in the income statement	(5.968.557)	6.118.783
Balance as of December 31	**3.335.851**	**9.304.408**

Unless otherwise stated, the amounts are in Turkish lira (TL)

For the year ending on December 31, 2012, the Group calculated deferred tax assets for deductible financial losses of 16,545,523 Turkish lira (December 31, 2011: 23,230,355 Turkish lira) shown in the consolidated financial statements prepared as per Capital Markets Board Financial Reporting Standards.
As of December 31, 2012, maturities of these financial losses are as follows:

	31.12.2012	31.12.2011
2012	-	823.548
2013	2.309.760	5.565.550
2014	4.456.065	5.868.470
2015	7.232.408	6.642.390
2016	2.547.290	4.330.397
Total	**16.545.523**	**23.230.355**

Deferred tax assets are reflected in the financial records to the extent potential financial profit exists, benefiting all deductible temporary differences. As of December 31, 2012, the Group's deductible financial losses, for which no deferred tax assets are calculated, amount to 4,942,523 Turkish lira (December 31, 2011: None) with maturities as follows:

	31.12.2012	31.12.2011
2013	2.309.760	-
2014	1.708.126	-
2015	684.599	-
2016	97.637	-
2017	142.401	-
Total	**4.942.523**	**-**

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Note 36 – Earnings per Share

As of December 31, 2012, and December 31, 2011, the "weighted average units of stock" and the "profit and loss per share" figures for the Company's stock were calculated as follows:

	Jan 1 - Dec 31, 2012	Jan 1 - Dec 31, 2011
Earnings/(loss) per share from ongoing operations:		
Parent company's share of net profit/(loss) from ongoing operations for the reporting period	20.292.048	(26.171.540)
"Weighted average units of stock" with 1 kuruş nominal value each	19.137.000.138	19.137.000.138
Earnings/(loss) per share from ongoing operations (kuruş)	**0,106**	**(0,137)**
Earnings/(loss) per share:		
Income/(loss) for the period	17.631.283	(25.924.366)
Year-end minority shareholder shares of net profit/(loss) (Note 27)	(2.660.765)	247.174
Year-end parent company's share of net profit/(loss)	20.292.048	(26.171.540)
"Weighted average units of stock" with 1 kuruş nominal value each	19.137.000.138	19.137.000.138
Earnings /(loss) per share (kuruş)	**0,106**	**(0,137)**

No diluted earnings per share were computed since the Group has no common stock subject to dilution potential. (December 31, 2011: None.)
No dividends were accrued in the current annual reporting period. (December 31, 2009: None.)

Note 37 – Related Party Disclosures

A) Group's balances with related parties as of December 31, 2012, and December 31, 2011, are shown in the tables below:

Trade Receivables	31.12.2012	31.12.2011
Ihlas Pazarlama A.Ş.	13.514.707	2.591.507
Ihlas Gazetecilik A.Ş.	122.007	122.007
Ihlas Fuar Hizmetleri A.Ş	121.797	121.797
Ihlas Haber Ajansı A.Ş.	100.824	72.750
Ihlas Finans Kurumu A.Ş. (in liquidation)	22.792	22.792
Iletişim Magazin Gazetecilik A.Ş.	22.063	-
Ihlas Net A.Ş.	20.277	-
Ihlas Iletişim Hizmetleri A.Ş.	11.915	5.127
Promaş Pro. Medya Rek. ve Film Paz. Hiz. A.Ş.	7.823	7.823
Kuzuluk Kaplıca Tur. A.Ş.	5.894	1.466
Ihlas Gelişim Yayıncılık A.Ş.	1.032	1.032
İhlas Enerji Üretim Dağıtım ve Tic. A.Ş.	-	728
Detes Maden Ltd. Şti.	-	728
TOTAL	**13.951.131**	**2.947.757**

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Trade Payables	31.12.2012	31.12.2011
Ihlas Pazarlama A.Ş.	472.620	472.620
İhlas Genel Ant. Nk. Tic. A.Ş.	99.636	44.571
Şifa Yemek ve Gıda Üretim Tesisleri Tic. A.Ş.	75.869	41.074
Ihlas Pazarlama Yatırım Holding A.Ş.	22.688	16.426
Ihlas Holding A.Ş.	8.467	8.467
İhlas Net Ltd. Şti.	3.689	3.869
Ihlas Gazetecilik A.Ş.	3.270	3.270
Iletişim Magazin Gazetecilik A.Ş.	7	-
KPT Lojistik Taşımacılık Tur. Rek. Paz. İç ve Dış Tic.A.Ş.	-	739
TOTAL	**686.246**	**591.036**

Other Receivables	31.12.2012	31.12.2011
Ihlas Pazarlama A.Ş. [a]	12.094.803	-
TOTAL	**12.094.803**	**-**

[a] Receivables generated as a result of selling the land and buildings in Gaziantep recorded under the Group's assets to Ihlas Pazarlama A.Ş. during the current reporting period.

Other Payables (Payables to Shareholder)	31.12.2012	31.12.2011
Ali Tubay Gölbaşı	12.400	-

Advance Payments for Purchase Orders	31.12.2012	31.12.2011
Ihlas Gazetecilik A.Ş.	96.635	-
Şifa Yemek ve Gıda Üretim Tesisleri Tic. A.Ş.	233	-
TOTAL	**96.868**	**-**

Advances Received for Purchase Orders	31.12.2012	31.12.2011
Ihlas Holding A.Ş.	45.132	32.895
Tgrt Haber TV A.Ş.	745	-
TOTAL	**45.877**	**32.895**

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Benefits Provided to Key Management Employees

Key management employees are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including all directors, whether executive or otherwise, of the Company. There are two types of benefits, short-term and long-term, provided to these employees. Short-term remuneration benefits consist of salary, social security, bonuses, paid leave, and per diem payments. These types of short-term benefits are reported under "Other Short-term Liabilities". Termination benefits provided in the event of employee termination comprise the Group's termination benefits obligations. These benefits are reported under "Employee Benefits Related Provisions". The total short-term benefits provided to key employees from January 1 to December 31, 2012, amounted to 588,913 Turkish lira (January 1-December 31, 2011: 614,247 Turkish lira). The total termination benefits provided or to be provided to key management employees who were terminated during the period of January 1 to December 31, 2012, amounted to 182,863 Turkish lira (January 1-December 31, 2011: 120,359 Turkish lira).
B) Purchases and sales between the Group and its related parties in the years January 1 to December 31, 2012, and January 1 to December 31, 2011, are as follows:

Purchases	Jan 1 - Dec 31, 2012	Jan 1 - Dec 31, 2011
İhlas Genel Ant. Nk. Tic. A.Ş.	1.344.974	683.426
Şifa Yemek ve Gıda Üretim Tesisleri Tic. A.Ş.	528.858	237.022
Ihlas Holding A.Ş.	492.907	401.422
Ihlas Gazetecilik A.Ş.	466.618	485.855
KPT Lojistik Taşımacılık Tur. Rek. Paz. İç ve Dış Tic. A.Ş.	341.749	65.158
Ihlas Pazarlama A.Ş.	70.747	145.132
Ihlas Net A.Ş.	22.317	22.317
Iletişim Magazin A.Ş.	4.625	3.043
Ihlas Pazarlama Yatırım Holding A.Ş.	3.853	14.455
Ihlas Dış Ticaret A.Ş.	3.400	-
Kuzuluk Kaplıca Tur. A.Ş.	148	65
İhlas Net Ltd. Şti.	44	336
Alternatif Medya Görsel İletişim Sis. Ltd. Şti.	-	5.439
TOTAL	**3.280.240**	**2.063.670**

Sales	Jan 1 - Dec 31, 2012	Jan 1 - Dec 31, 2011
Ihlas Pazarlama A.Ş.	65.897.611	63.058.069
Ihlas Holding A.Ş. Cyprus Agency	78.312	-
Kuzuluk Kaplıca Tur. A.Ş.	4.125	5.215
İhlas Genel Ant. Nk. Tic. A.Ş.	-	2.283
Ihlas Gazetecilik A.Ş.	-	216
Ihlas Holding A.Ş.	-	79
KPT Lojistik Taşımacılık Tur. Rek. Paz. İç ve Dış Tic. A.Ş.	-	67
TOTAL	**65.980.048**	**63.065.929**

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C) Interest, rent and other such invoices received from and paid to related parties from January 1 to December 31, 2012 and January 1 to December 31, 2011 are as follows:

Interest Invoices Issued and Received	Jan 1 - Dec 31, 2012	Jan 1 - Dec 31, 2011
Interest invoice issued to Ihlas Pazarlama A.Ş.	1.250.030	212.046
Interest invoice issued to Ihlas Gazetecilik A.Ş.	29.399	-
Interest invoice issued to Ihlas Fuar A.Ş.	19.829	5.889
Interest invoice issued to Ihlas Finans Kurumu A.Ş. (in liquidation)	1.485	1.777
Interest invoice issued to Iletişim Magazin Gazetecilik A.Ş.	1.431	-
Promaş Pro. Medya Rek. ve Film Paz. Hiz. A.Ş.'ye kesilen faiz faturası	1.028	607
Interest invoice issued to Ihlas Net A.Ş.	981	-
Interest invoice issued to Ihlas Iletişim Hizmetleri A.Ş.	959	285
İhlas Net Ltd. Şti'ye kesilen faiz faturası	472	-
Interest invoice issued to Ihlas Gelişim Yayıncılık A.Ş.	167	49
Interest invoice received from Ihlas Holding A.Ş.	3.467	4.889
Interest invoice received from Ihlas Gazetecilik A.Ş.	1.855	36.901
Interest invoice received from Ihlas Pazarlama Yatırım Holding A.Ş.	1.690	-
Interest invoice received from Şifa Yemek ve Gıda Üretim Tes. Tic. A.Ş.	375	-

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Rent Invoices Issued and Received	Jan 1 - Dec 31, 2012	Jan 1 - Dec 31, 2011
Rent invoices issued to Ihlas Gazetecilik A.Ş.	830.058	629.125
Rent invoices issued to Ihlas Haber Ajansı A.Ş.	254.280	224.371
Rent invoices issued to Ihlas Fuar A.Ş.	121.376	98.175
Rent invoices issued to Ihlas Pazarlama A.Ş.	84.108	116.552
Rent invoices issued to Ihlas Finans Kurumu A.Ş. (in liquidation)	26.175	30.250
Rent invoices issued to Ihlas Holding A.Ş.	26.016	15.304
Rent invoices issued to Iletişim Magazin Gazetecilik A.Ş.	20.399	-
Rent invoices issued to Ihlas Net A.Ş.	20.196	-
Rent invoices issued to Ihlas Iletişim Hizmetleri A.Ş.	7.140	5.575
Rent invoices issued to Ihlas Net Ltd. Şti	3.570	-
Rent invoices issued to Promaş Pro. Medya Rek. ve Film Paz. Hiz. A.Ş.	2.482	13.675
Rent invoices issued to Ihlas Gelişim Yayıncılık A.Ş.	1.020	825
Rent invoices received to Şifa Yemek ve Gıda Üretim Tesisleri Tic. A.Ş.	748	-
Rent invoices issued to Ihlas Enerji A.Ş.	-	2.244
Rent invoices issued to Detes Maden Ltd.	-	2.244
Rent invoices received to KPT Lojistik Taşımacılık Tur. Rek. Paz. Iç ve Dış Tic. A.Ş.	86.420	-
Rent invoices received from Ihlas Holding A.Ş.	21.600	1.800
Rent invoices received from Ihlas Gazetecilik A.Ş.	3.768	1.800

Fixed Asset Sales	Jan 1 - Dec 31, 2012	Jan 1 - Dec 31, 2011
Ihlas Pazarlama A.Ş.	19.000.000	-

Fixed Asset Purchases	Jan 1 - Dec 31, 2012	Jan 1 - Dec 31, 2011
Ihlas Pazarlama A.Ş.	-	21.000.000

Note 38 – Financial Instrument Risk Levels and Configurations

As of December 31, 2012, and December 31, 2011, the book values of financial assets and liabilities denominated in foreign currencies before consolidation adjustments are shown below:

	31.12.2012	31.12.2011
A. Assets in foreign currency	9.729.597	13.274.103
B. Liabilities in foreign currency	27.339.780	36.466.663
Net foreign exchange position (A-B)	**(17.610.183)**	**(23.192.560)**

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

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TABLE OF FOREIGN EXCHANGE POSITION						31.12.2012
	TL Equivalent	USD	EURO	CHF	GBP	SEK
1. Trade Receivables	642.235	96.733	199.770	-	-	-
2a. Monetary Financial Assets	6.874	1.892	1.489	-	-	-
2b. Non-Monetary Financial Assets	-	-	-	-	-	-
3. Other	9.080.488	1.204.084	2.948.543	-	-	-
4. Current Assets (1+2+3)	**9.729.597**	**1.302.709**	**3.149.802**	-	-	-
5. Trade Receivables	-	-	-	-	-	-
6a, Monetary Financial Assets	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
8. Fixed Assets (5+6+7)	-	-	-	-	-	-
9. Total Assets (4+8)	**9.729.597**	**1.302.709**	**3.149.802**	-	-	-
10. Trade Payables	26.840.621	1.115.280	10.567.897	-	-	-
11. Financial Liabilities	-	-	-	-	-	-
12a. Monetary Other Liabilities	-	-	-	-	-	-
12b. Non-Monetary Other Liabilities	499.159	280.017	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**27.339.780**	**1.395.297**	**10.567.897**	-	-	-
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-	-
16a. Monetary Other Liabilities	-	-	-	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-	-	-
17. Long-Term Liabilities (14+15+16)	-	-	-	-	-	-
18. Total Liabilities (13+17)	**27.339.780**	**1.395.297**	**10.567.897**	-	-	-
19. Net assets/(liabilities) position of off balance sheet deriSales Tax (KDV)ive instruments (19a-19b)	-	-	-	-	-	-
19a. Total hedged assets	-	-	-	-	-	-
19b. Total hedged liabilities	-	-	-	-	-	-
20. Net foreign currency assets/(liabilities) position (9-18+19)	**(17.610.183)**	**(92.588)**	**(7.418.095)**	-	-	-
21. Net assets/(liabilities) position of monetary Items (1+2a+5+6a-10-11-12a-14-15-16a)	**(26.191.512)**	**(1.016.655)**	**(10.366.638)**	-	-	-
22. Total fair value of financial Instruments used for foreign exchange hedge	-	-	-	-	-	-
23. Hedged foreign exchange assets	-	-	-	-	-	-
24. Hedged foreign exchange liabilities	-	-	-	-	-	-
25. Export	**17.423.336**	**6.091.306**	**2.827.597**	-	-	-
26. Import	**33.036.895**	**4.166.746**	**11.158.270**	-	-	-

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TABLE OF FOREIGN EXCHANGE POSITION						31.12.2011
	TL Equivalent	USD	EURO	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. Monetary Other Liabilities	-	-	-	-	-	-
12b. Non-Monetary Other 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. Monetary Other Liabilities	-	-	-	-	-	-
16b. Non-Monetary Other 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 deriSales Tax (KDV)ive 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. Net assets/(liabilities) position of monetary Items (1+2a+5+6a-10-11-12a-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. Export	**14.034.341**	**4.783.950**	**2.587.019**	**-**	**-**	**-**
26. Import	**33.348.523**	**2.555.448**	**12.575.237**	**-**	**-**	**-**

Unless otherwise stated, the amounts are in Turkish lira (TL)

As of December 31, 2012, and December 31, 2011, the rate of hedging the total foreign currency liability arising from total imports is the coverage rate of the total currency exchange liability by a deriSales Tax (KDV)ive instrument. Since the Group has no forward transactions, the rate of total foreign currency liability hedging was nil.

Note 39 – Financial Instruments

a) Capital Risk Management

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

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

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

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

	31.12.2012	31.12.2011
Total Liabilities	86.095.999	82.347.705
Less: cash and cash equivalent assets (Note 6)	(1.533.382)	(470.744)
Net Liabilities	84.562.617	81.876.961
Total Equity (Note 27)	218.126.699	203.455.110
Ratio of Net Liabilities/Equity	**39%**	**40%**

b) Material Accounting Policies

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

c) Financial Risk Management Goals

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

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

d) Market Risk

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

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

Unless otherwise stated, the amounts are in Turkish lira (TL)

Footnotes to the Consolidated Financial Statements

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, 2012, if the Turkish lira rates were lowered by 10 percent against both the dollar and 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 1,761,018 Turkish lira (December 31, 2011: less net year-end profit of 2,319,256 Turkish lira). The Group's hedging of exchange risk and foreign currency liability is discussed in Note 38.

	31.12.2012		31.12.2011	
	Profit/(Loss)		Profit/(Loss)	
Exchange Rate Sensitivity 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)	(16.505)	16.505	(624.503)	624.503
2- USD rate protected portion (-)	0	0	0	0
3- USD net effect (1+2)	**(16.505)**	**16.505**	**(624.503)**	**624.503**
10% change in EUR rate:				
4- EUR net assets/(liabilities)	(1.744.513)	1.744.513	(1.694.703)	1.694.703
5- EUR rate protected portion (-)	0	0	0	0
6- EUR net effect (4+5)	**(1.744.513)**	**1.744.513**	**(1.694.703)**	**1.694.703**
10% change in other exchange rates:				
7- Other foreign exchange net assets/(liabilities)	0	0	(50)	50
8- Other exchange rate protected portion (-)	0	0	0	0
9- Other foreign exchange assets net effect (7+8)	**0**	**0**	**(50)**	**50**
TOTAL (3+6+9)	(1.761.018)	1.761.018	(2.319.256)	2.319.256

Unless otherwise stated, the amounts are in Turkish lira (TL)

Management of Interest Rate Risk:

The Group borrows on afixed interest rate basis. The Group'sinterest rates for liabilities are discussed in detail in Notes 6, 7, and 8.

Interest Position Table			
		31.12.2012	**31.12.2011**
Fixed Rate Financial Instruments			
Financial Assets	Financial assets with fair value difference not reflected in profit/loss	572.225	27.606
	Ready-to-sell Financial Assets	1.470.663	1.364.959
Financial Liabilities		-	61.377
Variable Interest Financial Instruments			
Financial Assets		-	-
Financial Liabilities		39.342.259	28.899.098

As of December 31, 2012, if the base interest rate increased by 100 points or 1 percent while all other variables remained constant, no net interest income would occur due to modifications in interest amounts related to fixed and variable rate financial instruments and net profit for the period before taxes would not be changed. (December 31, 2011: net profit for the period before taxes would not be changed.)

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.

Footnotes to the Consolidated Financial Statements

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Footnotes to the Consolidated Financial Statements as of December 31, 2012
Unless otherwise stated, the amounts are in Turkish lira (TL)

Credit Risk Exposure by Types of Financial Instruments:

							31.12.2012
				Receivables	Bank Deposits	DeriSales Tax (KDV)ive Instruments	Other
	Commercial Receivables		Other Receivables				
	Related Party	Other Party	Related Party	Other Party			
Maximum credit exposure as of the reporting date (A+B+C+D+E) (1)	**13.951.131**	**49.793.320**	**12.094.803**	**493.890**	**840.542**	**-**	**87.951.825**
Secured portion of maximum exposure by collaterals, etc.	17.826.000	-	-	-	-	-	-
A. Net book value of financial assets that are non-past due or unimpaired [2]	13.951.131	49.793.320	12.094.803	493.890	840.542	-	692.840
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 collaterals, etc.	-	-	-	-	-	-	-
D. Net book value of impaired assets [4]	-	-	-	-	-	-	87.258.985 [*]
- Past due (gross book value)	1.377	5.051.840	-	28.845	-	-	-
- Impairment (-)	(1.377)	(5.051.840)	-	(28.845)	-	-	-
- Secured portion of net book value by collaterals, etc.	-	-	-	-	-	-	-
- Non-past due (gross book value)	-	-	-	-	-	-	71.135.037
- Impairment/Appraisal (-)	-	-	-	-	-	-	16.123.948
- Secured portion of net book value by collaterals, etc.	-	-	-	-	-	-	-
E. Items with off balance sheet credit risk	-	-	-	-	-	-	-

[*] This amount is stocks related, with details shown in Note 7.
[1] Credibility enhancing factors like collaterals are not taken into account when determining the amount.
[2] No future impairment or credit risks are anticipated on the non-past due or unimpaired financial assets.
[3] No future impairment is anticipated on the past due but unimpaired financial assets since their collaterals or maturities are short.

Unless otherwise stated, the amounts are in Turkish lira (TL)

As of December 31, 2012, the aging analysis of past due but unimpaired financial assets is shown below.

	Receivables		Bank Deposits	DeriSales Tax (KDV)ive Instruments	Other
	Commercial Receivables	Other 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	-	-	-	-	-
Past due for more than 5 years	-	-	-	-	-
Portion secured by collaterals, etc	-	-	-	-	-

[4] As of December 31, 2012, the aging analysis of past due and impaired financial assets is shown below:

	Receivables	
	Past Due Amount	Provisions
Past due for 1-30 days	Set Aside	-
Past due for 1-3 months	-	-
Past due for 3-12 months	-	-
Past due for 1-5 years	5.082.062	(5.082.062)
Past due for more than 5 years	-	-
TOTAL	**5.082.062**	**(5.082.062)**
Portion secured by collaterals, etc	-	-

There are several ways a receivable may be evaluated as doubtful: a) doubtful receivables from previous years; b) the debtor's ability to pay; and/or c) extraordinary conditions in the industry and in the economy.

Footnotes to the Consolidated Financial Statements

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Footnotes to the Consolidated Financial Statements as of December 31, 2012
Unless otherwise stated, the amounts are in Turkish lira (TL)

	31.12.2011						
	Receivables				Bank Deposits	DeriSales Tax (KDV)ive Instruments	Other
	Commercial Receivables		Other Receivables				
	Related Party	Other Party	Related Party	Other Party			
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 by collaterals, etc.	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 collaterals, 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 collaterals, etc.	-	-	-	-	-	-	-
- Non-past due (gross book value)	-	-	-	-	-	-	58.936.619
- Impairment/Appraisal (-)	-	-	-	-	-	-	(15.305.261)
- Secured portion of net book value by collaterals, etc.	-	-	-	-	-	-	-
E. Items with off balance sheet credit risk	-	-	-	-	-	-	-

[*] This amount is stocks related, with details shown in Note 7.
[1] Credibility enhancing factors like collaterals are not taken into account when determining the amount.
[2] No future impairment or credit risks are anticipated on the non-past due or unimpaired financial assets.
[3] No future impairment is anticipated on the past due but unimpaired financial assets since their collaterals or maturities are short.

Unless otherwise stated, the amounts are in Turkish lira (TL)

As of December 31, 2011, the aging analysis of past due but unimpaired financial assets is shown below.

	Receivables		Bank Deposits	DeriSales Tax (KDV)ive Instruments	Other
	Commercial Receivables	Other 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	-	-	-	-	-
Past due for more than 5 years	-	-	-	-	-
Portion secured by collaterals, etc	-	-	-	-	-

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

	Receivables	
	Past Due Amount	Provisions Set Aside
Past due for 1-30 days	-	-
Past due for 1-3 months	-	-
Past due for 3-12 months	-	-
Past due for 1-5 years	3.509.394	(3.509.394)
Past due for more than 5 years	-	-
TOTAL	**3.509.394**	**(3.509.394)**
Portion secured by collaterals, etc	-	-

There are several ways a receivable may be evaluated as doubtful: a) doubtful receivables from previous years; b) the debtor's ability to pay; and/or c) extraordinary conditions in the industry and in the economy.

f) Liquidity Risk Management

The Group manages liquidity risk through monitoring estimated and realized cash flow regularly and ensuring sustenance of sufficient funds and borrowing reserves by criticizing maturities of financial assets and liabilities.

Footnotes to the Consolidated Financial Statements

İhlas Ev Aletleri İmalat Sanayi ve Ticaret A.Ş.

Footnotes to the Consolidated Financial Statements as of December 31, 2012
Unless otherwise stated, the amounts are in Turkish lira (TL)

	31.12.2012				
Maturities According to Agreement	**Book Value**	**Contractual Cash Outflows Total**	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**
Non-DeriSales Tax (KDV)ive Financial Liabilities	**26.847.757**	**27.370.655**	**10.172.615**	**16.591.951**	**606.089**
Bank Loans	-	-	-	-	-
Financial Leasing Liabilities	-	-	-	-	-
Trade Payables (*)	23.158.032	23.680.929	8.621.495	15.059.434	-
Other Payables and Liabilities (**)	3.689.725	3.689.726	1.551.120	1.532.517	606.089
Expected Maturities	**Book Value**	**Expected Cash Outflows Total**	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**
Non-DeriSales Tax (KDV)ive Financial Liabilities	**53.037.895**	**53.650.451**	**1.305.388**	**51.564.010**	**781.053**
Bank Loans	39.342.259	39.342.259	547.658	38.794.601	-
Financial Leasing Liabilities	-	-	-	-	-
Trade Payables (***)	10.955.471	11.536.876	-	11.536.876	-
Other Payables and Liabilities	2.740.165	2.771.316	757.730	1.232.533	781.053
Expected (or Contractual) Maturities	**Book Value**	**Contractual or Expected Cash Outflows Total**	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**
DeriSales Tax (KDV)ive Cash Inflows	-	-	-	-	-
DeriSales Tax (KDV)ive Cash Outflows	-	-	-	-	-

(*) Since Turkish Commercial Code considers promissory notes as contracts linking two parties, payables related promissory notes are monitored in this group; intra-company eliminations within the group are taken into account according to their book values.
(**) Liabilities with legally binding due dates, such as tax provisions, deferred taxes, tax due, and social security deductions, are accounted for in this group.
(***) Suppliers and other trade payables are monitored in this group; intra-company eliminations within the group are taken into account according to their book values.

Unless otherwise stated, the amounts are in Turkish lira (TL)

					31.12.2011
Contractual Maturities	**Book Value**	**Contractual Cash Outflows Total**	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**
Non-DeriSales Tax (KDV)ive 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	-	-
Financial 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 Outflows Total**	**Less than 3 Months**	**3 to12 Months**	**1 to 5 Years**
Non-DeriSales Tax (KDV)ive 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	-
Financial 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 to12 Months**	**1 to 5 Years**
DeriSales Tax (KDV)ive Cash Inflows	-	-	-	-	-
DeriSales Tax (KDV)ive Cash Outflows	-	-	-	-	-

(*) Since Turkish Commercial Code considers promissory notes as contracts linking two parties, payables related promissory notes are monitored in this group; intra-company eliminations within the group are taken into account according to their book values.
(**) Liabilities with legally binding due dates, such as tax provisions, deferred taxes, tax due, and social security deductions, are accounted for in this group.
(***) Suppliers and other trade payables are monitored in this group; intra-company eliminations within the group are taken into account according to their book values.

g) Hedge Accounting

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).

Unless otherwise stated, the amounts are in Turkish lira (TL)

Note 40 –Events After the Reporting Period

Applying to the Capital Markets Board to amend the Articles of Association

With the Board of Directors decision no 02 dated February 13, 2013, the Company has applied to the Capital Markets Board on February 14, 2013 to amend the following articles of its Articles of Association in order to comply with the Turkish Commercial Code no 6102: 3. (Purpose and Subject), 4. (Company Headquarters and Branches), 6. (Description of Capital and Shares), 8. (Transfer of Stocks), 9. (Privileges), 11. (Board of Directors Meetings and Meeting and Decision Quorums), 12. (Duties, Representation, and Binding Rights of the Board of Directors), 14. (Auditors), 15. (Duties of Auditors), 16. (Remuneration of Auditors), 19. (Having a Commissioner Present at the Assembly), 23. (Proxy Appointment), 25. (Use of Votes), 27. (Annual Reports), 29. (Distribution of Profits), 31. (Reserve Funds), and 33. (Legal Provisions).

Upon the approval of this application, the latest status regarding privileges will be as follows:

The Company's shareholders elect three, four, five, or six of the Members of the Board of Directors, depending on whether the Board consists of five, seven, nine, or eleven members, respectively, from the candidates nominated by shareholders from group (A). If the amendment of the Articles of Association violates the rights of privileged shareholders, then the General Assembly decision needs to be approved by the board of privileged shareholders.

Approval of the Financial Statements

The Board of Directors approved the financial statements dated December 31, 2012 and authorized their publication on March 7, 2013. Only the General Assembly is authorized to adjust the financial statements once published by the Group shareholders or other related parties.

Changes in the Indirect Shareholder Structure

Due to the death of the Chairman of the Board of Directors of the Company's Parent, Ihlas Holding A.Ş., the indirect shareholder structure has changed after the date of the balance sheet. However, as of the date of the report, the new shareholder structure has not yet been clarified.

Changes in the Members of the Board of Directors

There has been a change in the Board of Directors members in the Company and in Ihlas Madencilik A.Ş. of the Group.

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

Reclassification:

Because some of the costs calculated under the cost of sales in the comprehensive income statement have been reclassified and reported under other operational costs, the Company's comprehensive income statements for previous year has been reclassified. This reclassification is limited to the details shown below.

Reclassified Items	Before reclassification	Amount reclassified	After Reclassification
	01.01-31.12.2011		01.01-31.12.2011
Cost of Sales	(93.472.078)	664.234	(92.807.844)
Other Operating Costs	(33.693.696)	(664.234)	(34.357.930)

Our Subsidiary İhlas Madencilik A.Ş.

Capital Structure and Area of Activity

The paid capital of Ihlas Madencilik A.Ş. as of December 31, 2010 is 79,542,538 Turkish lira.
Shareholder structures of the Company as of December 31, 2011 and December 31, 2012 are as follows:

	31.12.2012		31.12.2011	
Name / Title	Share (%)	Share Amount (TL)	Share (%)	Share Amount (TL)
Ihlas Ev Aletleri Imalat Sanayi ve Tic. A.Ş. [1]	65,80	52.338.110	63,98	50.888.110
Ihlas Holding A.Ş. [1]	9,75	7.755.018	9,75	7.755.018
Shares open to the public and other shareholders	24,45	19.449.410	26,27	20.899.410
Total	**100,00**	**79.542.538**	**100,00**	**79.542.538**
Capital Adjustment Differences		70.140.548		70.140.548
Total		**149.683.086**		**149.683.086**

The Company's registered capital is 150,000,000 Turkish lira and has been divided into 15,000,000,000 shares, each valued at 1 Kuruş.
[1] Real entities and legal entities that own the capital indirectly:

	31.12.2012		31.12.2011	
Name	Share (%)	Share Amount (TL)	Share (%)	Share Amount (TL)
Enver Ören [*]	2,62	2.082.123	2,50	1.991.053
Shares Open to the Public	71,16	56.603.306	69,15	54.997.612
Other	1,77	1.407.699	2,08	1.654.463
TOTAL	**75,55**	**60.093.128**	**73,73**	**58.643.128**

[*] Enver Ören, an indirect shareholder of the Group, has passed away after the date of the balance sheet. The indirect shareholder structure has not yet been clarified as of the date of the report.
The Company Board of Directors has applied to CMB on February 14, 2013 regarding the amendment of the Articles of Association in order to comply with the Capital Markets Law No: 6362 and Turkish Commercial Code No. 6102. Details regarding this issue can be found in Note 40.
Formerly known as Mir Iç Dış Ticaret ve Maden Ltd. Şti., Mir Maden Işletmeciliği Enerji ve Kimya San. Tic. Ltd. Şti., is the Company's subsidiary and has been included in the consolidated financial statements. Mir Maden Işletmeciliği Enerji ve Kimya San. Tic. Ltd. Şti., whose area of activity is mining, chemicals, and energy, has merged with Ihlas Kimya San. Ltd. Şti. during the current fiscal year.
The company continues with its activities and is registered to the Istanbul Trade Registry.

Our Subsidiary İhlas Madencilik A.Ş.

General Information

Mining sites where Ihlas Madencilik A.Ş. has taken over licenses may be grouped into three main categories. These sites contain gold, coal, and industrial alloys. Ihlas Madencilik A.Ş. has taken over exploration licenses for eight chrome, 39 gold, 21 coal, 18 copper, and 28 zinc, lead, gypsum, manganese, peat, kaolin, and marble mines; it has also applied for operating licenses for five of the mining sites.

Ihlas Madencilik A.Ş. In line with the Board of Directors decision dated March 5, 2010, with the permission of the Capital Markets Board of Turkey (CMB), amendment of the second article of the Company's Articles of Association, titled "Title of the Company", and the third article, titled "Purpose and Subject", has been accepted at the General Assembly held on April 26, 2010. The amendment has been registered by the Register of Commerce on April 29, 2010. On the registry, the Company's title has been changed to Bayındır Madencilik ve Ticaret A.Ş. and the area of activity was updated to, in short, all types of mining activities. Later, during the General Assembly held on May 7, 2011, the Company has decided that Ihlas Madencilik A.Ş. be merged internally and the title of the Company, which was Bayındır Madencilik ve Ticaret A.Ş., be changed to Ihlas Madencilik A.Ş., on the condition that all assets and liabilities are universally undertaken, in line with Article 451, and all other related articles of the Turkish Commercial Code, Articles 19 and 20 of the Corporate Tax Law No. 5520, Communiqué on the Principles Regarding Mergers (Serial I, No. 31) of the CMB, and all other related legislation provisions. This decision was registered by the Istanbul Register of Commerce on May 18, 2011.

The area of activity of Ihlas Madencilik A.Ş. is now all types of mining activities. In line with the royalty agreement signed with Mir Maden Işletmeciliği Enerji ve Kimya San. Tic. Şti on December 17, 2010, Ihlas Madencilik A.Ş. began production in Sarıyurt village in the Bayındır district of Izmir on January 1, 2011.

Main Area of Activity and Purposes of the Company

The activities identified in the Company's Articles of Association are as follows:

- To mine for all types of mines, mineral ores, and the like, to carry out all types of mining, to run mines, to prepare, sort, enrich, transport mineral ores, to perform necessary actions to make the mineral ores suitable for production or consumption, to liquefy, use flotation, roast, and all types of smelting, grinding, reshaping of minerals, to produce metal or establish any kind of industrial facility related to this, to buy, sell, produce, perform domestic and international trade, import, export, execute undertaking and brokering of miscellaneous hardware, scraps, and deposits,
- To establish mines and quarries, industrial facilities, factories, workshops and depots, sales and exhibition outlets; to operate them in person or through cooperation, and to rent, lease, transfer, or sell them,
- To produce all kinds of iron-steel, especially sulfurous steel, leaded steel, and high-carbon or low-carbon steel, steel non-corroded by mercury or air, silicon steel, black galvanized steel, checkered steel or perforated steel, angle beams, all types of iron, construction iron, and brackets made of iron and steel,
- To establish all kinds of laboratories, both domestically and internationally, related to the Company's purpose and area of activity, to provide laboratory services, to perform all types of analyses, tests, and similar processes; to carry out quality controlling activities; to collaborate with organizations and participate in activities regarding providing laboratory services,
- To obtain exploration licenses, intermediary operating licenses, and operating licenses, to transfer, lease, owned mining licenses, or have someone else operate the mining facility in exchange for a royalty agreement, to undertake operating or exploration licenses or to operate a mining facility in exchange for a royalty agreement,
- Reserving the provisions of the last paragraph of Article 15 of the Capital Markets Law, the Company can collaborate and/or sign agreements with limited duration or no duration with government agencies, private organizations, institutions, local and/or international real persons or legal entities, establish all types of partnerships, partake in established or to be established partnerships, participate in the management or audit of business organizations, and/or establish and invest in institutions directly on its own behalf. Provided that it does not perform brokerage services or manage stock portfolios, and that it abides by Capital Markets Laws, the Company can buy stocks and execute all other items mentioned in the Articles of Association.

Our Subsidiary İhlas Madencilik A.Ş.

Activity Plans, Licenses Obtained, and Subsequent Activities

Ihlas Madencilik A.Ş. plans to obtain professional consultancy services from companies with international accreditation regarding sites for which is has taken exploration licenses through purchase or re-application, and give authority for reserve and feasibility studies of the relevant mining sites.

On the other hand, matters such as detection of sites that could be operated with minimal investment, preparation of operation projects, preparation of exploration activity reports and preparation of Environmental Impact Evaluation (EIE) report and preliminary EIE research reports are aimed to be prioritized.

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

İhlas Madencilik A.Ş. signed a contract with Bentaş İnşaat Malzemeleri Ticaret ve Sanayi A.Ş. on May 5, 2008 to purchase the exploration license for a 423.17-hectare mining site near Salihli/Sart Mersindere village in return for an eight percent royalty, and took over the site with the permission of Republic of Turkey Ministry of Energy and Natural Resources, Directorate of Mining Affairs. Ihlas Madencilik A.Ş. has taken over eight percent royalty rights from Bentaş Inşaat Malzemeleri Ticaret ve Sanayi A.Ş. on January 21, 2011. As a result of drilling efforts carried out in the relevant site from the date of takeover, the company applied to the General Directorate of Mining Affairs with a request for operating license and acquired the operating license on July 5, 2010.

Mining sites where Ihlas Madencilik A.Ş. has taken over licenses may be grouped into three main categories. These are metallic minerals, energy raw materials, and industrial raw materials. These sites contain gold, coal, and industrial alloys.

Ihlas Madencilik A.Ş. has two operating licenses and 86 exploration licenses for 88 different sites, including 39 gold, eight chrome, 21 coal, 18 copper, and 28 zinc, lead, gypsum, manganese, peat, kaolin and marble mines.

İhlas
Ev Aletleri

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İhlas Ev Aletleri

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